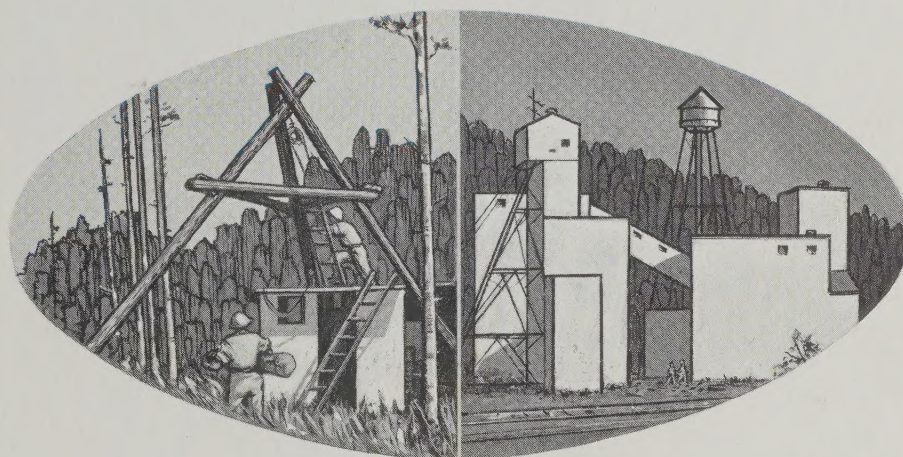
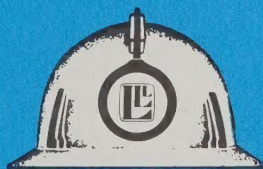


MacLeod-Cockshutt Gold Mines Limited



ASSOCIATE



LITTLE LONG LAC GOLD MINES LIMITED



This symbol has been selected to represent Canada's Centennial of Confederation in 1967—literally Canada's National 100th birthday symbol. This is an ingenious design of eleven equilateral triangles arranged together into a symbolic Maple Leaf, representing the ten provinces and the Canadian Northern Territories.

MacLeod-Cockshutt

Gold Mines Limited

OFFICERS	JOHN C. L. ALLEN - - - - -	<i>President</i>
	R. C. STANLEY, JR. - - - - -	<i>Vice-President</i>
	H. E. RUDD, P.Eng. - - - - -	<i>Vice-President</i>
	MISS B. A. ARGO - - - - -	<i>Secretary</i>
	D. M. LORIMER - - - - -	<i>Comptroller</i>

DIRECTORS	JOHN C. L. ALLEN
	PETER A. ALLEN, P.Eng.
	B. A. ARGO
	J. D. BRYCE, P.Eng.
	P. K. HANLEY
	H. E. RUDD, P.Eng.
	ROBERT C. STANLEY, JR.

GENERAL MANAGER	H. E. RUDD, P.Eng.
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TRANSFER AGENT and REGISTRAR	EASTERN & CHARTERED TRUST COMPANY, Toronto, Ontario
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AUDITORS	GUNN, ROBERTS AND Co., Toronto, Ontario
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SOLICITORS	MACDONALD & MACINTOSH, Toronto, Ontario
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HEAD OFFICE	Suite 400, 112 King Street West, Toronto, Ontario
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MINE OFFICE	Geraldton, Ontario
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REPORT OF THE DIRECTORS

MacLeod-Cockshutt Gold Mines Limited

TO THE SHAREHOLDERS:

Your Directors submit the Company's Balance Sheet and Financial Statements for the year ended December 31st, 1966, together with the Auditors' Report thereon, and the Report of the General Manager.

The mine continued to operate at approximately the same rate as it has for the previous two years — mining small ore shoots that are only economically possible while the adjoining property of Consolidated Mosher Mines Limited is in operation. The tonnage of ore milled and ounces of gold produced were both down slightly but costs were down even more so that the Operating Profit at \$67,230 was up from the previous year.

Because your Company's operation could not continue without Consolidated Mosher sharing the overhead and service costs, it was placed on a salvage basis as of February 1st, 1967 when Consolidated Mosher announced that its mine was taking similar action. The Directors of your Company wish to re-affirm that in their opinion, the decision to place the mine on a salvage basis was definitely one in line with sound mining practice and therefore necessary. At this stage it is not possible to determine the length of time required to complete salvage operations at Consolidated Mosher but mining and milling of that company's ore will be continued as long as it is profitable to do so. With respect to ore reserves at Consolidated Mosher, there is sufficient ore ahead, providing it can be profitably mined, to continue salvage operations for several years. Therefore, on this basis, MacLeod-Cockshutt could continue to operate at approximately 300 tons per day throughout 1967 and well into 1968 — provided of course, that Consolidated Mosher is still operating.

Additional ore was again found in your mine to replace the tonnage milled and this situation could be repeated again this year. Ore reserves at January 1st, 1967, were calculated at 144,000 tons grading 0.160 ounces per ton (0.138 ounces recovered grade) as compared to 144,220 tons grading 0.143 ounces per ton (0.123 ounces recovered grade) the previous year.

The Directors wish to record their appreciation to Mr. H. E. Rudd, P.Eng., the Staff and all Employees for the loyal and efficient services rendered during the year. Some time ago Mr. Rudd expressed his desire to relinquish his position as Vice-President and General Manager and his resignation was accepted effective February 28th, 1967. To succeed him the Directors have appointed Mr. Percy J. McCarthy as General Manager. Mr. McCarthy was formerly Manager of Norbeau Mines (Quebec) Limited and prior to that was Manager of McKenzie Red Lake Gold Mines Limited.

Respectfully submitted,

On behalf of the Board,

JOHN C. L. ALLEN,

March 30, 1967.

President.

GENERAL MANAGER'S REPORT

MacLeod-Cockshutt Gold Mines Limited

The President and Board of Directors,
MacLeod-Cockshutt Gold Mines Limited,
Suite 400, 112 King Street West,
TORONTO 1, Ontario.

Geraldton, Ontario,
February 17, 1967.

Dear Sirs:

During 1966 your mine produced 9,783 ounces of gold and 1,039 ounces of silver from 108,558 tons of ore averaging 0.090 ounces of gold recovered per ton. Revenue from this production amounted to \$370,467. or \$3.41 per ton. Additional revenue from E.G.M.A. and rentals amounted to \$246,205. bringing total revenue to \$616,672. or \$5.68 per ton.

A growing shortage of labour was responsible for a delay in the stope development of the small higher grade ore lenses in the porphyry zone so that the average grade of ore mined was below the ore reserve estimate.

The labour shortage also resulted in a reduction in the quantity of ore hoisted. The mill operated at an average rate of 1,763 tons per day, treating 297 tons per day from MacLeod-Cockshutt and 1,466 tons per day from Consolidated Mosher.

Mosher's deep development program on the 17th and 18th levels was completed in early 1967 and showed that under present conditions there was no profitable ore in the downward extension of the known ore zones. In view of these results and Mosher's operating loss in 1966, it was decided to place both mines on a salvage basis as of February 1st, 1967.

The Houck Township claims were not considered of sufficient importance to continue exploration and were dropped.

The guidance of the Directors and the cooperation of the Staff and Employees during the past year is gratefully acknowledged.

Yours very truly,

MacLEOD-COCKSHUTT GOLD MINES LIMITED

H. E. RUDD,

Vice-President and General Manager.

BALANCE SHEET—

ASSETS

		1965 for Comparison
CURRENT ASSETS		
Cash	\$ 25,681	\$ 11,212
Short term deposits	265,000	110,000
Bullion at net realizable value	38,421	29,193
Accounts receivable	3,045	2,748
Receivable from an associated company	344,594	125,508
Ontario corporation tax refund claims	2,474	2,799
Amount receivable under the Emergency Gold Mining Assistance Act	62,445	134,518
Prepaid expenses	22,194	44,546
	<u>763,854</u>	<u>460,524</u>
SUPPLIES at average cost	487,435	443,002
Less interest held by Consolidated Mosher Mines Limited re joint operation	200,000	200,000
	<u>287,435</u>	<u>243,002</u>
SHARES IN ASSOCIATED AND OTHER COMPANIES		
Shares in associated companies at cost less allowance for decline in value of \$1,800,000 in 1966 (quoted market value, 1966 \$2,054,000; 1965 \$4,225,500)	2,078,156	4,134,973
Shares in other companies at cost less amounts written off	2,848	3,534
	<u>2,081,004</u>	<u>4,138,507</u>
FIXED ASSETS		
Buildings, machinery and equipment at cost	3,505,751	3,482,502
Less accumulated depreciation	3,256,186	3,211,559
	<u>249,565</u>	<u>270,943</u>
Mining properties and claims at nominal value	2	2
	<u>249,567</u>	<u>270,945</u>
OTHER ASSETS		
Special refundable tax	2,600	
Loans receivable		3,000
Government guaranteed bonds deposited under power contract, at cost	24,650	24,650
	<u>27,250</u>	<u>27,650</u>
	<u>\$3,409,110</u>	<u>\$5,140,628</u>

CEMBER 31, 1966

LIABILITIES

		1965 for Comparison
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 203,016	\$ 208,042
Taxes payable	2,991	
	<u>206,007</u>	<u>208,042</u>
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized — 3,000,000 shares of \$1 each		
Issued — 2,862,490 shares	2,862,490	2,862,490
Deduct discount on shares, net	199,392	199,392
	<u>2,663,098</u>	<u>2,663,098</u>
Retained earnings	540,005	2,269,488
	<u>3,203,103</u>	<u>4,932,586</u>

Approved on behalf of the Board:

J. C. L. ALLEN, Director.

R. C. STANLEY, JR., Director.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of MacLeod-Cockshutt Gold Mines Limited as at December 31, 1966 and the statements of income and retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 8, 1967.

GUNN, ROBERTS and CO.,
Chartered Accountants.

\$3,409,110 \$5,140,628

MacLeod-Cockshutt
Gold Mines Limited

STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1966

		1965 for Comparison
OPERATING REVENUE		
Bullion recovery	\$ 370,467	\$ 487,215
Assistance under the Emergency Gold Mining Assistance Act (note 1)	64,000	(5,200)
Rental of mill and mine equipment	182,205	175,448
	<u>616,672</u>	<u>657,463</u>
OPERATING EXPENSES		
Mine development	4,552	18,154
Mining, net	288,971	321,656
Milling, net	95,257	108,351
Marketing expenses	2,875	3,781
Mine office and supervision	144,215	138,904
General expenses at the property	436,607	357,051
Administrative and corporate expenses	45,545	68,012
	<u>1,018,022</u>	<u>1,015,909</u>
Deduct general and overhead expenses charged to Consolidated Mosher Mines Limited	468,580	410,399
	<u>549,442</u>	<u>605,510</u>
OPERATING PROFIT before providing for depreciation	<u>67,230</u>	<u>51,953</u>
DEDUCT		
Depreciation	60,600	55,300
Outside exploration, net		23,376
	<u>60,600</u>	<u>78,676</u>
Income from investments	6,630	(26,723)
	<u>85,557</u>	<u>27,213</u>
Income before undernoted item	92,187	490
(Loss) or gain on investments sold	(21,670)	504,815
	<u>70,517</u>	<u>505,305</u>
Net income for the year	70,517	505,305
Retained earnings at beginning of year	2,269,488	1,764,183
	<u>2,340,005</u>	<u>2,269,488</u>
Deduct appropriation for decline in value of shares in associated companies	1,800,000	
Retained earnings at end of year	<u>\$ 540,005</u>	<u>\$2,269,488</u>

MacLeod-Cockshutt Gold Mines Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1966

SOURCE OF FUNDS		1965 for Comparison
Net income for the year	\$ 70,517	\$ 505,305
Add loss on investments sold	21,670	
Deduct gain on investments sold		504,815
	92,187	490
Add back depreciation not involving cash outlay	60,600	55,300
	152,787	55,790
Funds from operations	152,787	55,790
Sale of fixed assets	5,000	3,552
Proceeds on sale of investments in associated companies	270,226	500,000
Proceeds on sale of investment in another company	1,505	1,002,050
	429,518	1,561,392
APPLICATION OF FUNDS		
Purchase of fixed assets	44,223	48,699
Investment in associated companies	35,897	1,528,173
Other items, net	44,033	(16,021)
	124,153	1,560,851
Increase in working capital	305,365	541
Working capital at beginning of year	252,482	251,941
Working capital at end of year	\$ 557,847	\$ 252,482

NOTES TO FINANCIAL STATEMENTS

December 31, 1966

1. The revenue under the Emergency Gold Mining Assistance Act was decreased \$61,700 in 1965 being an adjustment of prior years' estimates resulting in a debit of \$5,200 in respect of 1965.
2. The remuneration of directors, as such, was \$4,800 in 1966 (\$4,800 in 1965).

MacLeod-Cockshutt Gold Mines Limited

PRODUCTION RECORD

Year	Tons Milled	Tons Milled Per Day	Ore Milled Per Shift	Oz. Gold Produced	Oz. Silver Produced	Ore Milled Per Ton at \$35.00	Recovery at \$35.00	Value of Bullion Produced	Emergency Gold Mining Assistance	Value Bullion Prod. Plus Emerg. Asst.	Per Oz. Gold	Per Oz. Silver	Operating ** Cost	Operating Profit
1938	126,291	464	---	25,518.362	1,601.57	\$ 7.07	\$ 893,142.67	\$ 899,916.11	---	\$ 899,916.11	\$ 35.27	\$.440	\$ 340,847.00	\$259,789.00
1939	208,095	570	---	45,169.868	2,381.69	7.59	1,580,938.80	1,648,489.52	---	1,648,489.52	36.49	.411	884,609.00	537,198.00
1940	238,780	654	---	54,502.274	1,616.17	7.99	1,907,579.59	2,098,339.34	---	2,098,339.34	38.50	.372	1,181,986.00	832,915.00
1941	237,076	650	---	60,084.170	1,084.65	8.87	2,102,945.95	2,313,242.57	---	2,313,242.57	38.50	.372	1,324,139.00	932,315.00
1942	233,036	638	1.6	67,925.724	964.66	10.20	2,377,400.34	2,615,142.67	---	2,615,142.67	38.50	.390	1,579,805.00	937,413.00
1943	181,761	498	1.7	54,598.912	758.81	10.51	1,910,961.92	2,102,059.99	---	2,102,059.99	38.50	.386	1,417,172.00	907,101.00
1944	124,964	342	1.4	39,900.193	597.84	11.75	1,396,506.75	1,536,151.82	---	1,536,151.82	38.50	.386	1,134,149.00	432,356.00
1945	30,300	289	1.6	9,551.256	158.13	10.33	334,293.96	367,723.68	---	367,723.68	38.50	.386	883,411.00	L 162,498.00
1946	158,434	480	1.4	32,870.172	723.05	7.26	1,150,456.02	1,194,075.15	---	1,194,075.15	36.33	.849	1,050,970.00	L 180,884.00
1947	207,260	568	1.9	43,326.777	868.50	7.32	1,516,437.20	1,516,437.20	---	1,516,437.20	35.00	.709	1,453,754.00	15,697.00
1948	176,221	483	1.8	40,303.406	643.43	8.00	1,410,619.20	1,410,619.20	\$157,142.98	1,467,762.18	38.89	.742	1,431,037.00	112,484.00
1949	180,793	495	1.8	43,133.906	644.50	8.35	1,509,686.70	1,560,050.44	157,744.97	1,717,795.41	39.82	.747	1,349,604.00	343,348.00
1950	261,103	715	2.1	55,006.118	1,266.28	7.37	1,925,214.13	2,083,717.40	178,374.24	2,262,091.64	41.12	.808	1,720,545.00	394,838.00
1951	366,547	1,004	3.9	69,938.887	4,353.25	6.68	2,447,861.04	2,570,538.87	168,789.79	2,739,328.66	39.17	.932	1,833,936.00	765,469.00
1952	411,777	1,128	5.4	65,049.208	6,171.07	5.53	2,276,722.28	*2,360,384.14	---	2,360,384.14	36.29	.829	1,781,604.00	701,420.00
1953	453,732	1,243	6.1	57,617.711	6,279.38	4.45	2,016,619.88	1,982,850.16	248,081.17	2,230,931.33	38.71	.838	1,703,092.00	536,882.00
1954	553,400	1,516	7.9	61,397.276	6,623.56	3.88	2,148,904.66	2,090,435.76	259,113.76	2,349,549.52	38.27	.829	1,804,909.00	531,378.00
1955	600,810	1,646	8.5	67,467.378	6,846.37	3.93	2,361,358.58	2,332,864.17	95,446.29	2,428,310.46	35.99	.882	1,909,606.00	505,362.00
1956	614,848	1,684	8.9	65,613.771	6,597.50	3.73	2,296,481.98	2,258,760.28	120,308.99	2,379,069.27	36.26	.893	1,866,285.00	465,085.00
1957	626,432	1,716	8.9	66,459.023	6,809.70	3.71	2,326,065.80	2,220,498.00A	134,730.00	2,355,228.00A	35.44	.872	2,013,264.00	341,964.00
1958	658,400	1,814	8.6	65,553.461	6,946.37	3.48	2,294,371.15	2,212,259.00A	245,400.00	2,457,659.00A	37.49	.854	2,135,043.00	322,616.00
1959	693,322	1,915	9.1	66,616.102	6,383.12	3.36	2,331,563.57	2,219,329.00A	252,268.00	2,471,597.00A	37.10	.875	2,126,154.00	345,443.00
1960	689,598	1,900	9.2	68,462.335	6,574.14	3.47	2,396,181.73	2,312,663.00A	238,306.00	2,550,969.00A	37.26	.888	2,126,910.00	424,059.00
1961	696,064	1,918	9.4	72,004.503	6,939.19	3.62	2,520,157.61	2,561,288.00	182,952.00	2,744,240.00	38.02	.946	2,126,496.00	617,744.00
1962	236,719	656	9.3	21,560.497	2,107.71	3.09	754,617.40	808,102.00	75,570.00	1,030,881.00M	40.99	1.155	761,290.00	269,591.00
1963	117,535	322	6.4	13,772.778	1,398.96	4.10	482,047.23	522,064.00	53,000.00	743,175.00M	41.61	1.38	583,015.00	160,160.00
1964	91,626	250	5.3	9,296.845	1,042.82	3.55	325,389.57	352,315.00	125,000.00	659,514.00M	51.34	1.39	525,488.00	134,026.00
1965	119,963	329	6.4	12,860.	1,399.	3.75	450,100.00	487,215.00	5,200.00B	657,463.00M	50.97	1.39	605,510.00	51,953.00
1966	108,558	297	6.5	9,783.	1,039.	3.15	342,434.00	370,467.00	64,000.00	616,672.00M	62.88	1.39	549,442.00	67,230.00

* — 1952 Production sold on open market.

** — Operating Costs before allowance for Depreciation and Write-offs.

L — Loss.

A — Less Marketing Expense.

M — Includes Equipment Rental Income.

B — Debit Adjustment From Previous years.



INFORMATION CIRCULAR

For General Meeting of Shareholders to be held June 8, 1967

This circular accompanies the Notice of the General Meeting of the Shareholders of MacLeod-Cockshutt Gold Mines Limited (MacLeod) to be held June 8, 1967, and is furnished in connection with the solicitation by the Management of proxies to be voted at such Meeting on the matters set forth in the Notice. Proxies in the form enclosed which are properly executed, returned to the Management and not revoked will be voted at such Meeting in accordance with the authority contained therein. Any such proxy may be revoked at any time before it is exercised.

VOTING RIGHTS

There are 2,862,490 shares of MacLeod outstanding, each of which entitles the holder to one vote at all meetings of shareholders. Shareholders of record as at June 8, 1967, the date of the General Meeting, are entitled to be present and to vote thereat, but pursuant to a resolution of the directors of MacLeod those desiring to be represented thereat by a nominee must deposit their proxies with Eastern & Chartered Trust Company, MacLeod's transfer agent, 24 hours prior to the commencement of the Meeting.

SOLICITATION OF PROXIES

The costs of this solicitation of proxies for the General Meeting of Shareholders are being borne by MacLeod.

GENERAL NATURE OF THE PLAN

The Plan for combining the assets and undertakings of MacLeod, Consolidated Mosher Mines Limited (Mosher) and Hard Rock Gold Mines, Limited (Hard Rock), provides for the following: (i) the sale by MacLeod to Mosher of certain mining rights and licences of occupation pertaining to lands upon which MacLeod's mine in the Geraldton area of Ontario is located; (ii) a decrease in the share capital of Mosher which will in effect consolidate each three issued shares of Mosher into one share; (iii) a decrease in the share capital of Hard Rock which will in effect consolidate each ten issued shares of Hard Rock into one share; and (iv) the statutory amalgamation of MacLeod, Mosher and Hard Rock pursuant to The Corporations Act (Ontario) into an amalgamated company (the Amalgamated Company) under the name of MacLeod Mosher Gold Mines Limited.

After giving effect to the above mentioned decreases in the share capital of Mosher and Hard Rock (and after cancellation of inter-company shareholdings) the Plan will result in the distribution of shares of the Amalgamated Company on the basis of one share of the Amalgamated Company for each one share of MacLeod, Mosher and Hard Rock outstanding.

PURPOSE AND EFFECT OF THE PLAN

The purpose of the Plan is to combine the assets of MacLeod, Mosher, and Hard Rock within a single corporate entity which will be stronger than all of the companies operating on an individual basis, and which will have financial resources available for new investment and exploration opportunities as they may arise. The Plan will also result in the reduction of costs presently incurred in the maintenance and management of three separate organizations. Moreover since the Mosher mine and the MacLeod mine are located on adjoining properties and are operated by the use of the same plant and personnel, it is expected that economies will result from the integrated operation of the mines by a single company so that increased efficiency will permit mining operations to be continued for the longest possible period.

MacLeod's major assets are its mine and mining plant in the Geraldton area of Ontario and its 45.9% share interest in Mosher. Mosher's major assets are its mine in the Geraldton area and its 49.3% share interest

in Lun-Echo Gold Mines Limited. Hard Rock has substantial investments in associated and other mining companies, but does not have a producing mine.

At December 31, 1966, Mosher had prospecting, exploration and development expenses in the amount of approximately \$2,900,000 which had not been written off against income for tax purposes. It is understood that under the present provisions of the Income Tax Act of Canada these expenses will be available to the Amalgamated Company as a deduction from income from both the MacLeod and Mosher mines.

It is also understood that the Amalgamated Company will be entitled to deduct, in computing its income for tax purposes, capital cost allowances based upon the undepreciated capital costs of the participating companies. At December 31, 1966, Mosher had undepreciated capital costs of approximately \$2,277,000 and MacLeod had undepreciated capital costs of approximately \$320,000.

MEETINGS OF SHAREHOLDERS

MacLeod

At the General Meeting of the shareholders of MacLeod the shareholders will be asked:

(i) To approve and authorize the execution of an indenture between MacLeod and Mosher (MacLeod Sale Indenture), a copy of which appears as Exhibit C hereto on pages 29 and 30 hereof, and which provides for the sale by MacLeod to Mosher of certain mining rights and licences of occupation pertaining to MacLeod's mine in the Geraldton area of Ontario.

(ii) To confirm the execution of and adopt the Amalgamation Agreement dated as of the 18th day of May, 1967 (the Amalgamation Agreement), which has been entered into by MacLeod, Mosher and Hard Rock, a copy of which appears as Exhibit D hereto on pages 31 to 45 hereof.

Mosher

At the General Meeting of the shareholders of Mosher the shareholders will be asked:

(i) To approve and authorize the execution of the MacLeod Sale Indenture;

(ii) To confirm a resolution passed as a Special Resolution, a copy of which appears as Exhibit A hereto on page 28 hereof, authorizing an application for supplementary letters patent decreasing the authorized capital of Mosher to \$2,176,540 divided into 1,088,270 shares with a par value of \$2 each by cancelling pro rata 2,176,540 issued and outstanding shares and 1,735,190 unissued shares of Mosher;

(iii) To confirm the execution of and adopt the Amalgamation Agreement.

Hard Rock

At the General Meeting of the shareholders of Hard Rock the shareholders will be asked:

(i) To confirm a resolution passed as a Special Resolution, a copy of which appears as Exhibit B hereto on page 28 hereof, authorizing an application for supplementary letters patent decreasing the authorized capital of Hard Rock to \$591,100 divided into 591,100 shares with a par value of \$1 each by cancelling pro rata 5,319,900 issued and outstanding shares and 1,589,000 unissued shares of Hard Rock;

(ii) To confirm the execution of and adopt the Amalgamation Agreement.

The Plan will be carried into effect only if the shareholders of each company authorize all of the corporate action required to be taken by such company and if all resolutions relating to the Plan are passed by two-thirds of the votes cast at the respective Meetings.

STEPS REQUIRED TO CARRY OUT THE PLAN

To carry out the Plan the following steps are necessary:

(a) MacLeod will sell to Mosher pursuant to the MacLeod Sale Indenture the mining rights and licences of occupation pertaining to the lands upon which MacLeod's mine at Geraldton, Ontario is located, at a price of \$200,000, being an amount equal to the estimated value to Mosher of the ore reserves to which the mining rights pertain. Mosher intends to borrow the amount of the purchase price which will be paid in cash. The liability for such borrowing will be assumed upon amalgamation by the Amalgamated Company and will be offset by the payment in cash received by MacLeod which will also become an asset of the Amalgamated Company. Title to the mining rights and licences of occupation sold to Mosher will become vested in the Amalgamated Company by virtue of the amalgamation.

(b) Each of Mosher and Hard Rock will apply for supplementary letters patent decreasing its authorized capital in the manner indicated under the heading MEETINGS OF SHAREHOLDERS and the contributed surplus that will arise in each case upon the decrease of capital will be applied to eliminate the discount and reduce the present deficit of those companies.

(c) MacLeod, Mosher and Hard Rock will then apply for letters patent under The Corporations Act (Ontario) to effect their amalgamation under the name of MacLeod Mosher Gold Mines Limited. Each of MacLeod, Mosher and Hard Rock will contribute to the Amalgamated Company its properties, undertakings and assets and the Amalgamated Company will assume all the debts, liabilities and obligations of each of MacLeod, Mosher and Hard Rock. The shares of each of the three companies will, as a result of the amalgamation, be converted into shares of the Amalgamated Company as indicated under the heading BASES OF CONVERSION OF SHARES. As to fractions resulting from the decrease of the capital of Mosher and Hard Rock, see the heading SHARE CERTIFICATES.

It is proposed that the Plan will be carried into effect prior to July 31, 1967, if the requisite shareholder approval is obtained.

INTER-COMPANY HOLDINGS

MacLeod beneficially owns 1,314,582 shares of Mosher, being 40.3% of its capital and 2,430,430 shares of Hard Rock being 41.1% of its capital; Hard Rock beneficially owns 170,376 shares of MacLeod being 6.0% of its issued capital and 537,477 shares of Mosher being 16.5% of its issued capital.

BASES OF CONVERSION OF SHARES

The bases of conversion of the shares of the three participating companies into shares of the Amalgamated Company were arrived at by the Managements of the three participating companies and approved by the directors of such companies. It was considered that shares of MacLeod should be converted into shares of the Amalgamated Company on a 1 for 1 basis and that the bases of conversion of shares of Mosher and Hard Rock should be determined with reference to their value in relation to the value of MacLeod shares. In determining the bases of conversion, a precise mathematical evaluation was not possible but a variety of factors was taken into account. These included with respect to each of the companies, current and estimated future earnings; sources of income; nature, variety and value of assets; income tax position; and market prices of the shares. To assist in such determination, independent appraisals of ore reserves as at January 1, 1967 and fixed assets as at April 21, 1967 of each of Mosher and MacLeod (which appear on pages 25 to 27 hereof) and a statement of Relative Value of Assets Per Share of MacLeod, Mosher and Hard Rock as at January 1, 1967 (which appears on page 24 hereof), were prepared for and considered by the Managements and directors of the participating companies.

The bases for converting the issued shares of the three participating companies into shares of the Amalgamated Company are as follows:

- (i) For each one issued share of MacLeod, one share of the Amalgamated Company;
- (ii) For each three issued shares of Mosher as presently constituted (which will in effect be consolidated into one share of Mosher prior to the amalgamation), one share of the Amalgamated Company;
- (iii) For each ten issued shares of Hard Rock as presently constituted (which will in effect be consolidated into one share of Mosher prior to the amalgamation), one share of the Amalgamated Company.

In the opinion of the directors of each of the three participating companies, the bases of conversion are fair to the shareholders of all of the companies.

On completion of the amalgamation, shares of the Amalgamated Company will be outstanding as follows:

	Shares of Participating Companies	Shares of Amalgamated Company
MACLEOD		
Shares of MacLeod presently outstanding	2,862,490	
Less shares held by Hard Rock to be cancelled on amalgamation	170,376	
	<u>2,692,114</u>	
Converted into shares of the Amalgamated Company on a 1 for 1 basis		2,692,114

	Shares of Participating Companies	Shares of Amalgamated Company
MOSHER		
Shares of Mosher presently outstanding	3,264,810	
Shares of Mosher outstanding after reduction of capital on a 1 for 3 basis	1,088,270	
Less shares held by MacLeod and Hard Rock (after reduction of capital) to be cancelled on amalgamation	617,353	
	<u>470,917</u>	
Shares outstanding after reduction of capital and cancellation of inter-company share holdings converted into shares of the Amalgamated Company on a 1 for 1 basis		470,917
HARD ROCK		
Shares of Hard Rock presently outstanding	5,911,000	
Shares of Hard Rock outstanding after reduction of capital on a 1 for 10 basis ..	591,100	
Less shares held by MacLeod (after reduction of capital) to be cancelled on amalgamation	243,043	
	<u>348,057</u>	
Shares outstanding after reduction of capital and cancellation of inter-company share holdings converted into shares of the Amalgamated Company on a 1 for 1 basis		348,057
Total issued shares of the Amalgamated Company		<u>3,511,088</u>

SHARE CAPITAL OF THE AMALGAMATED COMPANY

The authorized capital of the Amalgamated Company will be 5,000,000 shares without par value of which 3,511,088 shares will be outstanding on completion of the Plan.

INTERLOCKING INTERESTS OF DIRECTORS AND OFFICERS

The following table discloses the interest of each director and officer of MacLeod, Mosher and Hard Rock in these Companies:

	MacLeod	Mosher	Hard Rock
JOHN CHARLES LEIGHTON ALLEN	Shareholder Director President	Shareholder Director	Shareholder Director President
PETER ACKERMAN ALLEN	Shareholder Director	Shareholder Director	Shareholder Director
BESSIE ANDERSON ARGO	Shareholder Director Secretary	Shareholder Director Secretary	Shareholder Director Secretary
JOHN DOUGLAS BRYCE	Shareholder Director	Shareholder Director	Shareholder Director
DOMINIC MATHEW GIACHINO	Shareholder Director	Shareholder Director	Shareholder Director
PETER KEITH HANLEY	Shareholder Director	Shareholder Director Vice-President	Shareholder Director
DONALD MURRAY LORIMER	Shareholder Comptroller	Shareholder Comptroller	Shareholder Comptroller
ROBERT CROOKS STANLEY, JR.	Shareholder Director Vice-President	Shareholder Director President	Shareholder Director Vice-President

None of the above mentioned directors and officers have material share interests in any of MacLeod, Mosher or Hard Rock.

John Charles Leighton Allen, Peter Ackerman Allen, Bessie Anderson Argo, John Douglas Bryce, Peter Keith Hanley and Robert Crooks Stanley, Jr., aforesaid, and Wilbur Carlyle Cochrane are directors of Malartic Gold Fields (Quebec) Limited which at May 17, 1967 beneficially owned 1,539,252 shares of MacLeod, being 53.8% of MacLeod's issued capital.

MANAGEMENT CONTRACT

Each of MacLeod, Mosher and Hard Rock has an arrangement with The Little Long Gold Mines Limited, Suite 400, 112 King Street West, Toronto, Ontario (Little Long Lac), whereby Little Long Lac provides managerial, engineering, secretarial and head office services. During the period January 1, 1966 to April 30, 1967 the amounts paid to Little Long Lac for such services by MacLeod, Mosher and Hard Rock were \$16,000, \$32,000 and \$4,000, respectively. "Insiders" as defined in The Securities Act, 1966 (Ontario) of Little Long Lac are:— Consolidated Mosher Mines Limited, Hard Rock Gold Mines, Limited, Lake Shore Mines Limited, Lun-Echo Gold Mines Limited, MacLeod-Cockshutt Gold Mines Limited, Malartic Gold Fields (Quebec) Limited, Willroy Mines Limited, Wright-Hargreaves Mines Limited, John Charles Leighton Allen, Peter Ackerman Allen, Bessie Anderson Argo, John Douglas Bryce, Wilbur Carlyle Cochrane, Dominic Mathew Giachino, Peter Keith Hanley, Donald Murray Lorimer, all of Suite 400, 112 King Street West, Toronto, Ontario; J. Connell, Geraldton, Ontario; P. A. Coulter, Malartic, Quebec; R. S. Haffidson, Manitouwadge, Ontario; N. Henry, Geraldton, Ontario; J. R. Carhart, Kirkland Lake, Ontario; J. I. Jarvis, Manitouwadge, Ontario; M. D. Kennedy, Malartic, Quebec; J. P. Landry, Malartic, Quebec; O. A. Makila, Malartic, Quebec; P. J. McCarthy, Geraldton, Ontario; G. McCrank, Kirkland Lake, Ontario; C. Richardson, Malartic, Quebec; H. Rutetzki, Manitouwadge, Ontario; W. Sheddon, Kirkland Lake, Ontario; J. Toivanen, Manitouwadge, Ontario; P. D. Timms, Manitouwadge, Ontario; H. W. Wright, Kirkland Lake, Ontario; and Robert Crooks Stanley, Jr., 578 Navesink River Road, Mounted Route #1, Red Bank, New Jersey, U.S.A.

FINANCIAL STATEMENTS

Audited Financial Statements of MacLeod, Mosher and Hard Rock for the year ended December 31, 1966, appear on pages 9 to 19 of this Circular. An audited pro forma balance sheet of the Amalgamated Company as at December 31, 1966, illustrating the effect of the Plan, appears on pages 20 to 23 hereof.

STOCK EXCHANGE LISTING

Application will be made to list the shares of the Amalgamated Company on The Toronto Stock Exchange.

FIRST DIRECTORS OF THE AMALGAMATED COMPANY

It is proposed that the first directors of the Amalgamated Company will be John Charles Leighton Allen, Peter Ackerman Allen, John Douglas Bryce, Peter Keith Hanley, and Robert Crooks Stanley, Jr.

BY-LAWS

By-laws numbered 1 to 5 set out in Schedule X to Exhibit D hereto will be the by-laws of the Amalgamated Company until repealed, amended, altered or added to by by-law.

TAX POSITION OF CANADIAN SHAREHOLDERS

MacLeod, Mosher and Hard Rock understand that the implementation of the Plan will not result in any liability for Canadian income tax to shareholders of MacLeod, Mosher and Hard Rock.

TAX POSITION OF UNITED STATES SHAREHOLDERS

An application has been made to the Commissioner of Internal Revenue of the United States of America for (a) a ruling to the effect that for purposes of United States Federal income tax (i) no gain or loss will be

recognized to the shareholders of MacLeod, Mosher or Hard Rock upon the exchange of their shares for shares in the Amalgamated Company, and (ii) the basis of shares in the Amalgamated Company received by shareholders of MacLeod, Mosher and Hard Rock will be the same as the basis of the shares exchanged therefor; and (b) for a further ruling that the interest equalization tax imposed by the United States Internal Revenue Code will not apply to the shareholders of MacLeod, Mosher and Hard Rock upon the exchange of their shares in those companies for shares in the Amalgamated Company. It is not known at this time whether such rulings will be issued.

SHARE CERTIFICATES

If the Plan is implemented and letters patent amalgamating MacLeod, Mosher and Hard Rock are issued, shareholders of MacLeod, Mosher and Hard Rock will be notified with respect to the surrender of their outstanding share certificates in exchange for certificates for shares of the Amalgamated Company. Persons entitled to receive a fraction of a share of Mosher or Hard Rock as a result of the decrease in the capital of those companies will not be entitled to be registered on the books of such companies in respect thereof, but will be entitled to receive a bearer fractional certificate in respect of such fraction. Fractional certificates aggregating one whole share of either Mosher or Hard Rock will entitle the bearer to receive in exchange therefor a certificate for one whole share of the Amalgamated Company and to be registered on the books of the Amalgamated Company as a shareholder in respect thereof.

Companies Participating in the Plan

MacLEOD - COCKSHUTT GOLD MINES LIMITED

MacLeod was incorporated in 1933 and now has an authorized capital of 3,000,000 shares with a par value of \$1 each of which 2,862,490 shares are outstanding. MacLeod operates a gold mine in the Geraldton area of Ontario adjacent to the Mosher mine. During 1966 the MacLeod mine produced 9,783 ounces of gold and 1,039 ounces of silver from 108,558 tons of ore averaging 0.090 ounces of gold recovered per ton. Revenue from this production amounted to \$370,467 or \$3.41 per ton and E.G.M.A. payments of \$64,000 and mining and milling charges of \$182,205 to Mosher increased total revenues to \$616,672 or \$5.68 per ton. The mine is currently being operated on a salvage basis as described on page 7 of this Circular. MacLeod has not paid any dividends since 1957.

From January 1, 1962 to May 17, 1967 the market price of MacLeod shares on The Toronto Stock Exchange ranged from a high of \$1.30 to a low of \$.37 as follows:

	<u>High</u>	<u>Low</u>
1967 (to May 17)	\$.75	\$.37
1966	1.05	.60
1965	1.25	.85
1964	1.23	.70
1963	1.14	.70
1962	1.30	1.05

CONSOLIDATED MOSHER MINES LIMITED

Mosher was incorporated in 1950 in part for the purpose of acquiring the assets of Mosher Longlac Gold Mines Limited and has operated a gold mine in the Geraldton area of Ontario since 1962. Mosher now has an authorized capital of 5,000,000 shares with a par value of \$2 each of which 3,264,810 shares are outstanding. The Mosher mine is located adjacent to the mine operated by MacLeod. During 1966 a total of 49,930 ounces of gold, being an average of 0.093 ounces of gold recovered per ton, and 5,276 ounces of silver, were produced. Revenues from this production amounted to \$1,890,736 or \$3.35 per ton and additional income from payments under E.G.M.A. is estimated to be \$485,000 providing total operating revenues for 1966 of \$2,375,736 or \$4.44 per ton. The tonnage of ore mined and milled in 1966 decreased to 1,466 tons per day from 1,491 tons per day in 1965 and the recovered grade of ore treated showed a continued decline from 0.108 ounce gold per ton to 0.093 ounces gold per ton which resulted in an operating loss for 1966. During January of 1967, the mine showed an operating loss of \$34,328.04. The mine is currently being operated on a salvage basis as described on page 7 of this Circular. Mosher has never paid a dividend.

From January 1, 1962 to May 17, 1967 the market price of Mosher shares on The Toronto Stock Exchange ranged from a high of \$3.00 to a low of \$.15 as follows:

	<u>High</u>	<u>Low</u>
1967 (to May 17)	\$.50	\$.15
1966	1.15	.39
1965	1.85	1.01
1964	1.78	1.11
1963	2.33	1.40
1962	3.00	1.90

Mosher owns 2,344,048 shares of **Lun-Echo Gold Mines Limited** being 49.34% of the outstanding shares of that company. The assets of Lun-Echo consist mainly of investments in associated companies with a quoted market value at May 17, 1967 of \$737,000, and a 50% interest in Willecho Mines Limited.

Willecho Mines Limited

Willecho owns and operates a copper-zinc-lead mine in the Manitouwadge area which was officially brought into production on January 1, 1965. Willecho ore is treated at the adjacent mill of Willroy Mines Limited at a current rate of 1,000 tons per day. At December 31, 1966 estimated proven ore reserves of Willecho were 2,280,000 tons grading 0.48% copper, 4.29% zinc and 1.84 ounces silver per ton (with minor amounts of lead and gold). During 1966 Willecho produced 3,541,349 lbs. copper and 22,078,863 lbs. zinc resulting in production to a total value of \$5,071,400. As at December 31, 1966 Willecho was still indebted to Willroy in the amount of \$1,558,899 being the balance of \$3,002,000 advanced by Willroy to bring the property into production. It is estimated that all monies owing by Willecho to Willroy will be repaid in full during 1968.

HARD ROCK GOLD MINES, LIMITED

Hard Rock was incorporated under the laws of Ontario in 1934 and now has an authorized capital of 7,500,000 shares with a par value of \$1 each of which 5,911,000 shares are outstanding. Hard Rock formerly owned and operated a gold mine in the Geraldton area of Ontario which ceased production in 1951 when all known ore was exhausted. Hard Rock owns a number of mining claims in North Western Ontario. The principal assets of Hard Rock consist of marketable securities and shares in associated companies. Hard Rock has not paid a dividend since 1943.

From January 1, 1962 to May 17, 1967 the market price of Hard Rock shares on The Toronto Stock Exchange ranged from a high of \$.16 to a low of \$.05 as follows:

	<u>High</u>	<u>Low</u>
1967 (to May 17)	\$.11½	\$.05
1966	.14	.08½
1965	.14½	.11
1964	.15	.11
1963	.15	.11
1962	.16	.11

MINING OPERATIONS OF MacLEOD AND MOSHER

Pursuant to an Agreement made as of January 1, 1962 between MacLeod and Mosher mining, milling and management in respect of both the MacLeod mine and the Mosher mine is carried out by employees of MacLeod and the ore produced is treated at the MacLeod mill. Mosher pays a mining and milling charge to MacLeod based upon the quantity of ore mined and milled from each mine.

Both the MacLeod mine and Mosher mine were placed on a salvage basis on February 1, 1967. The mining costs of Mosher have been increasing yearly and an operating loss of \$451,362 was incurred in 1966. MacLeod has enjoyed operating profits each year. The continued operation of each mine is economically feasible only so long as both mines continue in operation.

Set forth below is a statement of the ore reserves, and production record of MacLeod and Mosher for the last five years:

Ore Reserves

	MacLeod		Mosher	
	Tons	Ounce Gold per ton	Tons	Ounce Gold per ton
January 1, 1963	280,716	0.112	2,094,585	0.127
1964	174,526	0.150	1,727,214	0.132
1965	139,076	0.155	1,398,000	0.130
1966	144,220	0.143	1,083,000	0.130
1967	144,000	0.160	846,500	0.139

Production Record

	MacLeod			Mosher		
	Tons Milled	Tons Milled per day	Operating Profit	Tons Milled	Tons Milled per day	Operating Profit or (Loss)
1962	263,719	656	\$269,591	462,841	1,268	\$732,101
1963	117,535	322	160,160	563,064	1,543	870,339
1964	91,626	250	134,026	605,351	1,654	483,785
1965	119,963	329	51,953	544,393	1,491	7,290
1966	108,558	297	67,230	535,008	1,466	(451,362)

MacLeod presently has a work force at the mine of approximately 230 men which represents a reduction of 130 employees below the number employed prior to the commencement of salvage operations. The MacLeod mill has a rated capacity of 1,900 tons per day and it is expected that it will be operated in future at 1,600 tons per day. Mining and milling will be carried on by both MacLeod and Mosher so long as it is profitable to do so. It is expected that operations during the salvage period will be profitable due to the reduction of exploration and development costs and that operations will be continued on this basis for three years.

OTHER BUSINESS

The Management does not know of any other matters that may come before the meeting. However, if any other matters properly come before the meeting, it is the intention that the persons named in the enclosed form of proxy will vote the proxy in accordance with their judgment on such matters.

By order of the Board,

B. A. ARGO,
Secretary.

Toronto, Canada,
May 18, 1967.

MacLEOD-COCKSHUTT GOLD MINES LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of MacLeod-Cockshutt Gold Mines Limited as at December 31, 1966 and the statements of income and retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 8, 1967.

GUNN, ROBERTS and CO.,
Chartered Accountants.

MacLEOD-COCKSHUTT GOLD MINES LIMITED
(Incorporated under the laws of Ontario)

BALANCE SHEET — December 31, 1966

ASSETS

		1965 for Comparison
CURRENT ASSETS		
Cash	\$ 25,681	\$ 11,212
Short term deposits	265,000	110,000
Bullion at net realizable value	38,421	29,193
Accounts receivable	3,045	2,748
Receivable from an associated company	344,594	125,508
Ontario corporation tax refund claims	2,474	2,799
Amount receivable under the Emergency Gold Mining Assistance Act	62,445	134,518
Prepaid expenses	22,194	44,546
	<u>763,854</u>	<u>460,524</u>
SUPPLIES at average cost	487,435	443,002
Less interest held by Consolidated Mosher Mines Limited re joint operation	200,000	200,000
	<u>287,435</u>	<u>243,002</u>
SHARES IN ASSOCIATED AND OTHER COMPANIES		
Shares in associated companies at cost less allowance for decline in value of \$1,800,000 in 1966 (quoted market value, 1966 \$2,054,000; 1965 \$4,225,500)	2,078,156	4,134,973
Shares in other companies at cost less amounts written off	2,848	3,534
	<u>2,081,004</u>	<u>4,138,507</u>
FIXED ASSETS		
Buildings, machinery and equipment at cost	3,505,751	3,482,502
Less accumulated depreciation	3,256,186	3,211,559
	<u>249,565</u>	<u>270,943</u>
Mining properties and claims at nominal value	2	2
	<u>249,567</u>	<u>270,945</u>
OTHER ASSETS		
Special refundable tax	2,600	
Loans receivable		3,000
Government guaranteed bonds deposited under power contract, at cost	24,650	24,650
	<u>27,250</u>	<u>27,650</u>
	<u>\$3,409,110</u>	<u>\$5,140,628</u>

LIABILITIES

		1965 for Comparison
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 203,016	\$ 208,042
Taxes payable	2,991	
	<u>206,007</u>	<u>208,042</u>
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized — 3,000,000 shares of \$1 each		
Issued — 2,862,490 shares	2,862,490	2,862,490
Deduct discount on shares, net	199,392	199,392
	<u>2,663,098</u>	<u>2,663,098</u>
Retained earnings	540,005	2,269,488
	<u>3,203,103</u>	<u>4,932,586</u>
Approved on behalf of the Board:		
J. C. L. ALLEN, Director.		
R. C. STANLEY, JR., Director.		
	<u>\$3,409,110</u>	<u>\$5,140,628</u>

MacLEOD - COCKSHUTT GOLD MINES LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1966

		1965 for Comparison
OPERATING REVENUE		
Bullion recovery	\$ 370,467	\$ 487,215
Assistance under the Emergency Gold Mining Assistance Act (note 1)	64,000	(5,200)
Rental of mill and mine equipment	182,205	175,448
	<u>616,672</u>	<u>657,463</u>
OPERATING EXPENSES		
Mine development	4,552	18,154
Mining, net	288,971	321,656
Milling, net	95,257	108,351
Marketing expenses	2,875	3,781
Mine office and supervision	144,215	138,904
General expenses at the property	436,607	357,051
Administrative and corporate expenses	45,545	68,012
	<u>1,018,022</u>	<u>1,015,909</u>
Deduct general and overhead expenses charged to Consolidated Mosher Mines Limited	468,580	410,399
	<u>549,442</u>	<u>605,510</u>
OPERATING PROFIT before providing for depreciation	<u>67,230</u>	<u>51,953</u>
DEDUCT		
Depreciation	60,600	55,300
Outside exploration, net		23,376
	<u>60,600</u>	<u>78,676</u>
	6,630	(26,723)
Income from investments	85,557	27,213
Income before undernoted item	92,187	490
(Loss) or gain on investments sold	(21,670)	504,815
Net income for the year	70,517	505,305
Retained earnings at beginning of year	2,269,488	1,764,183
	<u>2,340,005</u>	<u>2,269,488</u>
Deduct appropriation for decline in value of shares in associated companies	1,800,000	
Retained earnings at end of year	<u>\$ 540,005</u>	<u>\$2,269,488</u>

MacLEOD - COCKSHUTT GOLD MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1966

		1965 for Comparison
SOURCE OF FUNDS		
Net income for the year	\$ 70,517	\$ 505,305
Add loss on investments sold	21,670	
Deduct gain on investments sold		504,815
	92,187	490
Add back depreciation not involving cash outlay	60,600	55,300
Funds from operations	152,787	55,790
Sale of fixed assets	5,000	3,552
Proceeds on sale of investments in associated companies	270,226	500,000
Proceeds on sale of investment in another company	1,505	1,002,050
	429,518	1,561,392
APPLICATION OF FUNDS		
Purchase of fixed assets	44,223	48,699
Investment in associated companies	35,897	1,528,173
Other items, net	44,033	(16,021)
	124,153	1,560,851
Increase in working capital	305,365	541
Working capital at beginning of year	252,482	251,941
Working capital at end of year	\$ 557,847	\$ 252,482

NOTES TO FINANCIAL STATEMENTS

December 31, 1966

1. The revenue under the Emergency Gold Mining Assistance Act was decreased \$61,700 in 1965 being an adjustment of prior years' estimates resulting in a debit of \$5,200 in respect of 1965.
2. The remuneration of directors, as such, was \$4,800 in 1966 (\$4,800 in 1965).

CONSOLIDATED MOSHER MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — December 31, 1966

ASSETS

CURRENT ASSETS		1965 for Comparison
Cash	\$ 7,717	\$ 6,906
Short term deposits		170,000
Bullion at net realizable value	99,902	184,932
Government guaranteed bonds at cost (quoted market value \$3,900)	4,000	4,000
Accounts receivable	50	250
Amount receivable under the Emergency Gold Mining Assistance Act	252,863	165,146
Prepaid expenses	2,528	4,011
	<u>367,060</u>	<u>535,245</u>
 SUPPLIES		
Supplies in own warehouse at less than cost		3,367
Interest in supplies at MacLeod-Cockshutt Gold Mines Limited re joint operation	200,000	200,000
	<u>200,000</u>	<u>203,367</u>
 SHARES IN ASSOCIATED AND OTHER COMPANIES		
Associated company at cost	574,179	525,259
Other companies at nominal value in 1966	9	137,373
	<u>574,188</u>	<u>662,632</u>
 FIXED ASSETS		
Buildings, machinery and equipment at less than cost	682,303	597,636
Less accumulated depreciation	386,867	294,467
	<u>295,436</u>	<u>303,169</u>
Mining properties, Ontario at nominal value in 1966	1	949,922
	<u>295,437</u>	<u>1,253,091</u>
 OTHER ASSETS AND DEFERRED CHARGES		
Bonds deposited under power contract, at cost	8,169	8,169
Special refundable tax	7,768	
Preproduction expenditures less amount written off		1,455,285
Internal shaft expenditures less amount written off		213,399
	<u>15,937</u>	<u>1,676,853</u>
	<u>\$1,452,622</u>	<u>\$4,331,188</u>

LIABILITIES

CURRENT LIABILITIES		1965 for Comparison
Accounts payable and accrued liabilities	\$ 4,125	\$ 3,058
Payable to associated companies	345,873	113,889
	<u>349,998</u>	<u>116,947</u>
 SHAREHOLDERS' EQUITY		
Capital stock (note 3)		
Authorized — 5,000,000 shares of \$2 each		
Issued — 3,264,810 shares	6,529,620	6,529,620
Less discount on shares, net	2,069,433	2,069,433
	<u>4,460,187</u>	<u>4,460,187</u>
Deduct deficit	3,357,563	245,946
	<u>1,102,624</u>	<u>4,214,241</u>

Approved on behalf of the Board:

R. C. STANLEY, Jr., Director.

JOHN D. BRYCE, Director.

<u>\$1,452,622</u>	<u>\$4,331,188</u>
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CONSOLIDATED MOSHER MINES LIMITED

STATEMENT OF INCOME AND DEFICIT

Year ended December 31, 1966

		1965 for Comparison
OPERATING REVENUE		
Bullion recovery	\$1,890,736	\$2,232,615
Assistance under the Emergency Gold Mining Assistance Act	485,000	636,000
	<u>2,375,736</u>	<u>2,868,615</u>
OPERATING EXPENSES		
Charges by MacLeod-Cockshutt Gold Mines Limited		
Development and mining (note 1)	2,139,211	2,113,691
Milling	607,009	633,169
	<u>2,746,220</u>	<u>2,746,860</u>
DIRECT EXPENSES		
Marketing expenses	14,664	17,315
Mine office and general expenses at the property	21,381	46,614
Administrative and corporate expenses	44,833	51,140
Ontario mining tax		(604)
	<u>2,827,098</u>	<u>2,861,325</u>
Operating (loss) profit before the following deductions	(451,362)	<u>7,290</u>
OTHER DEDUCTIONS		
Amortization of preproduction expenditures	545,760	545,760
Depreciation	92,400	89,200
Outside exploration		6,516
	<u>638,160</u>	<u>641,476</u>
	<u>1,089,522</u>	<u>634,186</u>
OTHER INCOME		
Income from investments	4,337	8,734
Gain on investments sold	36,247	
	<u>40,584</u>	<u>8,734</u>
Loss for the year	1,048,938	625,452
(Deficit) Retained earnings at beginning of year	(245,946)	379,506
	<u>1,294,884</u>	<u>245,946</u>
ADD AMOUNTS WRITTEN OFF (note 4):		
Unamortized portion of preproduction expenditures	909,525	
Unamortized portion of shaft sinking expenditures	203,233	
Mining properties written down to nominal value	949,921	
	<u>2,062,679</u>	
Deficit at end of year	<u>\$3,357,563</u>	<u>\$ 245,946</u>

CONSOLIDATED MOSHER MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1966

SOURCE OF FUNDS

		1965 for Comparison
Depreciation and other items not involving cash outlay		\$ 891,764
Deduct loss for the year		625,452
Funds from operations		266,312
Sale of fixed assets		3,653
Proceeds on investments sold	\$ 173,611	
	<u>173,611</u>	<u>269,965</u>

APPLICATION OF FUNDS

Loss for the year	1,048,938	
Deduct depreciation and other items not involving cash outlay, net ..	843,599	
	<u>205,339</u>	
Shaft sinking expenditures	231,520	146,660
Investment in associated company	48,920	92,245
Purchase of fixed assets	84,667	18,411
Other items, net	4,401	(462)
	<u>574,847</u>	<u>256,854</u>
(Decrease) increase in working capital	(401,236)	13,111
Working capital at beginning of year	418,298	405,187
Working capital at end of year	<u>\$ 17,062</u>	<u>\$ 418,298</u>

CONSOLIDATED MOSHER MINES LIMITED

NOTES TO FINANCIAL STATEMENTS December 31, 1966

1. Development and mining expenses include amortization of shaft sinking expenditures of \$241,686 in 1966 (\$256,804 in 1965).
2. The remuneration of directors, as such, was \$4,800 in 1966 (\$4,800 in 1965).
3. Options to employees on shares of the company's capital stock are outstanding as follows:
 - 50,000 shares at \$3.00 per share expiring in 1967
 - 104,000 shares at \$.75 per share expiring in 1969
 - 5,600 shares at \$1.25 per share expiring in 1970
4. In January, 1967 the company placed the mining operations on a salvage basis. In view of that decision the mining properties were written down to a nominal value of \$1 and unamortized deferred expenditures were written off.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Consolidated Mosher Mines Limited as at December 31, 1966 and the statements of income and deficit, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 8, 1967.

GUNN, ROBERTS and CO.,
Chartered Accountants.

HARD ROCK GOLD MINES, LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — December 31, 1966

ASSETS

		1965 for Comparison
CURRENT ASSETS		
Cash	\$ 254	\$ 5,107
Short term deposits	7,000	—
Marketable securities at cost (quoted market value 1966 \$333,750; 1965 \$366,900)	267,439	267,425
	<u>274,693</u>	<u>272,532</u>
SHARES IN ASSOCIATED AND OTHER COMPANIES		
Associated companies		
Listed at cost less allowance for decline in value of \$50,000 in each year (quoted market value 1966 \$421,400; 1965 \$758,500)	714,328	900,538
Other at cost	40,317	40,317
Other companies at nominal value	1	2
	<u>754,646</u>	<u>940,857</u>
MINING PROPERTIES in the Districts of Thunder Bay and Sudbury, Ontario at nominal value	1	1
	<u>\$1,029,340</u>	<u>\$1,213,390</u>

LIABILITIES

		1965 for Comparison
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 48	—
Payable for securities purchased	—	\$ 45,885
	<u>48</u>	<u>45,885</u>
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized — 7,500,000 shares of \$1 each		
Issued — 5,911,000 shares	5,911,000	5,911,000
Less discount on shares	3,711,583	3,711,583
	<u>2,199,417</u>	<u>2,199,417</u>
Deduct deficit	1,170,125	1,031,912
	<u>1,029,292</u>	<u>1,167,505</u>
	<u>\$1,029,340</u>	<u>\$1,213,390</u>

NOTE: For comparative purposes, certain 1965 items have been reclassified on the same basis as is used for statement presentation for 1966.

Approved on behalf of the Board:

R. C. STANLEY, JR., Director.

J. C. L. ALLEN, Director.

Hard Rock Gold Mines, Limited

STATEMENT OF INCOME AND DEFICIT

Year ended December 31, 1966

		1965 for Comparison
REVENUE		
Investment income	\$ 9,088	\$ 8,495
EXPENSES		
Administrative and corporate		
Management, accounting and secretarial service	3,000	3,000
Share transfer expenses, etc.	1,616	1,958
Legal and audit	520	475
Annual meeting and reports	977	998
Taxes on claims	127	109
Capital and place of business tax	(50)	260
Other items	90	98
	6,280	6,898
Interest paid	1,560	211
Outside exploration	—	1,154
	7,840	8,263
Income before the undernoted item	1,248	232
(Loss) gain on investments sold	(139,461)	61,345
(Loss) net income for the year	(138,213)	61,577
Deficit at beginning of year	1,031,912	1,043,489
	1,170,125	981,912
Allowance for decline in value of shares held	—	50,000
Deficit at end of year	<u>\$1,170,125</u>	<u>\$1,031,912</u>

Hard Rock Gold Mines, Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1966

SOURCE OF FUNDS	1965 for Comparison	
(Loss) net income for the year	\$ (138,213)	\$ 61,577
(Loss) gain on investments sold	(139,461)	61,345
	1,248	232
Sale of shares in associated companies	200,404	191,862
	201,652	192,094
APPLICATION OF FUNDS		
Investment in associated companies	153,654	252,280
Increase (decrease) in working capital	47,998	(60,186)
Working capital at beginning of year	226,647	286,833
Working capital at end of year	\$ 274,645	\$ 226,647

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Hard Rock Gold Mines, Limited as at December 31, 1966 and the statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 3, 1967.

GUNN, ROBERTS and CO.,
Chartered Accountants.

MacLEOD MOSHER GOLD MINES LIMITED
(The Amalgamated Company)

PRO FORMA BALANCE SHEET — December 31, 1966
(Unaudited)

ASSETS

CURRENT ASSETS

Cash	\$ 33,652	
Short term deposits	272,000	
Bullion at net realizable value	138,323	
Marketable securities at cost (quoted market value \$337,650)	271,439	
Accounts receivable	3,095	
Ontario Corporation tax refund claims	2,474	
Amount receivable under the Emergency Gold Mining Assistance Act	315,308	
Prepaid expenses	24,722	1,061,013
		<hr/>
SUPPLIES at average cost		487,435
SHARES IN ASSOCIATED AND OTHER COMPANIES (note 2)		2,039,471

FIXED ASSETS at less than cost

Buildings, machinery and equipment	4,188,054	
Less accumulated depreciation	3,643,053	
	<hr/>	
	545,001	
Mining properties and claims	200,003	745,004
	<hr/>	

OTHER ASSETS

Special refundable tax	10,368	
Bonds deposited under power contracts at cost	32,819	43,187
	<hr/>	
		<u>\$4,376,110</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 212,622	
Payable to associated companies	50,472	
Taxes payable	2,991	266,085
	<hr/>	

SHAREHOLDERS' EQUITY

Capital stock (note 4)		
Authorized — 5,000,000 shares of no par value		
Issued — 3,511,088 shares	3,982,005	
Less discount on shares	187,524	
	<hr/>	
	3,794,481	
Contributed surplus (note 5)	649,456	
	<hr/>	
	4,443,937	
Deduct deficit (note 6)	333,912	4,110,025
	<hr/>	
		<u>\$4,376,110</u>

MacLEOD MOSHER GOLD MINES LIMITED
(The Amalgamated Company)

NOTES TO PRO FORMA BALANCE SHEET

December 31, 1966

1. PRO FORMA TRANSACTIONS

The pro forma balance sheet gives effect at December 31, 1966 to:

- (a) the obtaining of supplementary letters patent reducing the issued shares of Consolidated Mosher Mines Limited from 3,264,810 shares to 1,088,270 shares;
- (b) the application of the contributed surplus arising from the reduction of capital of Consolidated Mosher Mines Limited to eliminate the remaining discount on shares and to reduce the deficit;
- (c) the obtaining of supplementary letters patent reducing the issued shares of Hard Rock Gold Mines, Limited from 5,911,000 shares to 591,100 shares;
- (d) the application of a portion of the contributed surplus arising from the reduction of capital of Hard Rock Gold Mines, Limited to eliminate the remaining discount on shares and the deficit;
- (e) those investment transactions subsequent to December 31, 1966 which affect the inter-company holdings of the companies involved in the amalgamation;
- (f) the sale of certain mining rights of MacLeod-Cockshutt Gold Mines Limited to Consolidated Mosher Mines Limited for \$200,000;
- (g) the statutory amalgamation of MacLeod-Cockshutt Gold Mines Limited, Consolidated Mosher Mines Limited and Hard Rock Gold Mines, Limited to form one company under the name MacLeod Mosher Gold Mines Limited on the basis of the amalgamation agreement set out on pages 31 to 45 of this Circular.

2. SHARES IN ASSOCIATED AND OTHER COMPANIES

Associated companies

Listed at cost less allowance for decline in value of \$750,000

(quoted market value \$1,493,600) _____ \$1,422,117

Other at cost _____ 614,496

Other companies at cost less amounts written off _____ 2,858 \$2,039,471

3. No provision has been made for costs to be incurred in effecting the amalgamation estimated at \$35,000.

4. ISSUED CAPITAL

	Shares	Amount Capital Stock	Discount
MacLEOD			
Issued at December 31, 1966 _____	2,862,490	\$2,862,490	\$ 199,392
Cancellation of shares held by Hard Rock _____	170,376	170,376	11,868
	<u>2,692,114</u>	<u>\$2,692,114</u>	<u>\$ 187,524</u>
MOSHER			
Issued at December 31, 1966 _____	3,264,810	\$6,529,620	\$2,069,433
Cancellation of 2,176,540 shares _____	2,176,540	4,353,080	1,379,622
	<u>1,088,270</u>	<u>\$2,176,540</u>	<u>\$ 689,811</u>
Discount on remaining shares written off against contributed surplus _____			689,811
Cancellation of shares held by MacLeod and Hard Rock _____	617,353	1,234,706	
	<u>470,917</u>	<u>\$ 941,834</u>	<u>—</u>
To be issued on amalgamation _____			

MacLEOD MOSHER GOLD MINES LIMITED

(The Amalgamated Company)

NOTES TO PRO FORMA BALANCE SHEET (Continued)

December 31, 1966

	Shares	Amount Capital Stock	Discount
HARD ROCK			
Issued at December 31, 1966	5,911,000	\$5,911,000	\$3,711,583
Cancellation of 5,319,900 shares	5,319,900	5,319,900	3,340,425
	591,100	\$ 591,100	\$ 371,158
Discount on remaining shares written off against contributed surplus			371,158
Cancellation of shares held by MacLeod	243,043	243,043	
To be issued on amalgamation	348,057	\$ 348,057	—
SUMMARY			
MacLeod	2,692,114	\$2,692,114	\$ 187,524
Mosher	470,917	941,834	
Hard Rock	348,057	348,057	
Total on amalgamation	3,511,088	\$3,982,005	\$ 187,524
5. CONTRIBUTED SURPLUS			Balance on Amalgamation
MOSHER			
From cancellation of 2,176,540 shares	\$ 4,353,080		
Deduct discount thereon	1,379,622		
	2,973,458		
Discount on remaining outstanding shares written off	689,811		
	2,283,647		
Portion of deficit written off	2,283,647		—
HARD ROCK			
From cancellation of 5,319,900 shares	5,319,900		
Deduct discount thereon	3,340,425		
	1,979,475		
Discount on remaining outstanding shares written off	371,158		
	1,608,317		
Deficit written off	1,170,125		438,192
Excess of Capital cancelled over book value of inter-company investments cancelled on amalgamation			211,264
Contributed surplus on amalgamation			\$ 649,456
6. DEFICIT			
MOSHER			
Deficit December 31, 1966	\$3,357,563		
Portion written off to contributed surplus	2,283,647		\$1,073,916

MacLEOD MOSHER GOLD MINES LIMITED
(The Amalgamated Company)

NOTES TO PRO FORMA BALANCE SHEET (Continued)
December 31, 1966

		Balance on Amalga- mation
HARD ROCK		
Deficit December 31, 1966	\$1,170,125	
Written off against contributed surplus	1,170,125	—
		1,073,916
Less MacLeod — retained earnings		
Retained earnings December 31, 1966	\$ 540,005	
Proceeds on sale of mining rights in excess of net book value	199,999	740,004
Deficit on amalgamation		<u>\$ 333,912</u>

STATEMENT OF RELATIVE VALUE OF ASSETS PER SHARE OF THE UNDERNOTED COMPANIES

As at January 1, 1967

	MacLeod- Cockshutt Gold Mines Limited	Consolidated Mosher Mines Limited	Hard Rock Gold Mines, Limited
Value of extractable ore based upon the projected cash flow from operations per report of Herbert H. Cox, P.Eng., dated April 18, 1967	\$ 892,393	\$ 340,647	
Appraised salvage value of plant and equipment per report of U. & N. Equipment Limited, dated April 21, 1967	934,164	252,799	
	1,826,557	593,446	
Deduct estimated income and mining taxes	447,000		
	1,379,557	593,446	
Working capital required for operations	300,000	200,000	
	<u>\$1,679,557</u>	<u>\$ 793,446</u>	
Present value discounted at the rate of 10% per annum	\$1,311,437	\$ 639,350	
Net current assets in excess of working capital required, including supplies but not including marketable securities	545,282	17,062	\$ 7,206
Marketable securities of other than associated companies at the quoted market value on May 17, 1967			289,800
Government guaranteed bonds deposited under power contract at cost	24,650	8,169	
Investment in associated companies at the market value on May 17, 1967 for those still held and at net proceeds from sales in 1967	918,069	820,417	84,377
Inter-company holdings at May 17, 1967 at relative value:			
170,376 shares MacLeod at \$1.30			221,489
2,430,430 shares Hard Rock at \$.14	340,260		
1,852,059 shares Mosher at \$.45	591,562		241,865
	<u>\$3,731,260</u>	<u>\$1,484,998</u>	<u>\$ 844,737</u>
Total relative value			
Shares issued at December 31, 1966	2,862,490	3,264,810	5,911,000
Relative value of assets per share	<u>\$ 1.30</u>	<u>\$.45</u>	<u>\$.14</u>

To the Directors of
MACLEOD-COCKSHUTT GOLD MINES LIMITED
CONSOLIDATED MOSHER MINES LIMITED
HARD ROCK GOLD MINES, LIMITED

We have examined the statement of relative value of assets per share of the above-named companies as at January 1, 1967. We have relied on the report of Herbert H. Cox as to the value of extractable ore based upon the projected cash flow from operations and on the report of U. & N. Equipment Limited as to the appraised salvage value of plant and equipment.

Marketable securities of other than associated companies are all listed shares; investment in associated companies includes unlisted and listed shares. Unlisted shares have been valued at the May 17, 1967 bid price on the unlisted market. Listed shares have been valued at the May 17, 1967 bid price on The Toronto Stock Exchange. Because of the number of shares involved, the value of these securities is not necessarily indicative of the amounts that would be realized if they were to be sold.

In our opinion, subject to the foregoing, the statement of relative value of assets per share as at January 1, 1967 presents fairly the relative value of assets per share of the companies.

Toronto, Canada,
May 18, 1967.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

HERBERT H. COX, P.ENG.

Consulting Mining Engineer

134 Buckingham Avenue

Toronto 12, Ontario

April 18, 1967.

To the Directors of MacLeod-Cockshutt Gold Mines Limited and
Consolidated Mosher Mines Limited

Gentlemen:

Pursuant to the request of officials of your Companies, I have carried out an examination of the Mines which you operate in Geraldton, Ontario, for the purpose of determining the present day value of the remaining ore that can be extracted, for the period commencing January 1, 1967 until the completion of mining operations.

Based on my examination, it is my opinion that the present day value of the extractable ore, discounted at the rate of 10% per annum, at MacLeod-Cockshutt Gold Mines Limited is \$743,852 and at Consolidated Mosher Mines Limited is \$299,166.

A summary of my calculations to arrive at the foregoing amounts is set out hereunder:

MacLeod-Cockshutt Gold Mines Limited

	1967	1968	1969	Total
Tons of ore milled	144,800	144,800	144,800	434,400
Recovered grade per ton	0.1436	0.1436	0.1436	0.1436
Ounces of gold produced	20,796	20,796	20,796	62,388
Bullion revenue at \$37.75 per oz.	\$ 785,049	785,049	785,049	2,355,147
Estimated cost aid assistance	\$ nil	nil	10,398	10,398
Equipment rental	\$ 148,000	148,000	148,000	444,000
	\$ 933,049	933,049	943,447	2,809,545
Operating costs	\$ 608,160	638,568	670,424	1,917,152
Net cash flow from operations before provision for Income Taxes, if any	\$ 324,889	294,481	273,023	892,393
Present day value of net cash flow, discounted at the rate of 10%	\$ 295,353	243,373	205,126	743,852

Consolidated Mosher Mines Limited

	1967	1968	1969	Total
Tons of ore milled	434,000	434,400	434,400	1,303,200
Recovered grade per ton	0.1092	0.1092	0.1092	0.1092
Ounces of gold produced	47,445	47,445	47,445	142,335
Bullion revenue at \$37.75 per oz.	\$1,791,049	1,791,049	1,791,049	5,373,147
Estimated cost aid assistance	\$ 487,260	487,260	487,260	1,461,780
	\$2,278,309	2,278,309	2,278,309	6,834,927
Operating costs	\$2,059,056	2,163,312	2,271,912	6,494,280
Net cash flow from operations before provision for Income Taxes, if any	\$ 219,253	114,997	6,397	340,647
Present day value of net cash flow, discounted at the rate of 10%	\$ 199,321	95,039	4,806	299,166

ORE RESERVES

I attended at the mine offices of the companies located in Geraldton, Ontario. During my examination, I inspected the methods used to compile the ore reserves, as calculated by the company. I also examined the underground mining operations.

As a result of this examination and discussions carried on with the operating personnel, it is my opinion that the extractable ore, as listed hereunder, is reasonable and has been calculated in accordance with sound engineering and geological practice.

	MacLeod-Cockshutt		Consolidated Mosher	
	Tons	Grade	Tons	Grade
As per 1966 Annual Report	144,000	0.160	846,500	0.139
Pillars	276,948	0.170	140,626	0.142
Probable Ore	—	—	653,500	0.109
Totals	420,948	0.167	1,640,626	0.127

At the daily tonnage rates proposed for the calculations herein, there is sufficient ore for 2.9 years operation of MacLeod and 3.7 years of Mosher. The calculations are made for three years. It is doubtful if operations could be continued on a profitable basis beyond 1969.

RECOVERY AND REVENUE FROM OPERATIONS

A historical review of mill efficiency indicates that recoveries over the past four years have averaged 86.12%. It is reasonable to anticipate that recoveries will continue to be achieved on the same basis and, accordingly, a rate of 86% was used in the foregoing computations.

Bullion production has been based on a Canadian price of \$37.75 delivered to the Mint. It has been assumed that no change in the value of gold will take place over the remaining life of the ore reserves.

Estimated cost aid value under the terms of the Emergency Gold Mining Assistance Act has been computed on the basis of the costs hereinafter described, coupled with the preproduction and deferred development expenses and depreciation which are allowable under the Act.

The Emergency Gold Mining Assistance Act expires on December 31, 1967. It has been assumed that the provisions of this Act will be re-enacted in the same, or similar terms as now in effect.

OPERATING COSTS

Operating costs over the life of the extractable ore reserves are estimated to be as follows:

	MacLeod-Cockshutt			Consolidated Mosher		
	1967	1968	1969	1967	1968	1969
Mining	\$ 1.91	2.01	2.11	\$ 2.31	2.43	2.55
Milling88	.92	.97	.88	.92	.97
Equipment Rental	—	—	—	.34	.34	.34
Other	1.41	1.48	1.55	1.21	1.29	1.37
Total	<u>\$ 4.20</u>	<u>4.41</u>	<u>4.63</u>	<u>\$ 4.74</u>	<u>4.98</u>	<u>5.23</u>

These costs were determined after reviewing historical experience and adjusting where necessary for the efficiencies which have already been and will be placed in effect.

Allowances have been made for increasing costs which are expected to materialize in the coming years.

No provision has been made in this report for any Income Tax expenses, or liability, if any.

In my opinion, the costs as listed above, appear attainable, based on my examination of the underground workings and milling plant and on discussions with the appropriate mine officials. This is predicated on the fact that both mines be kept in operation as neither could make an operating profit without the other for more than possibly a month or two.

EFFECTS OF A COMBINED OPERATION

It is my understanding that the Directors of the Companies are considering combining the operations to implement cost efficiencies which should enable the mines to operate at an increased profit and prolong the economic exploitation of available ore reserves. Based on my review and study, there is little doubt, from an engineering and operating perspective, that efficiencies could be immediately instigated, which would be to the benefit of a combined single operation.

Respectfully submitted,

HERBERT H. COX, P.Eng.,
Consulting Mining Engineer.



U and N EQUIPMENT LIMITED

Head Office: Suite 1006, 8 King Street East, Toronto 1, Ont., (416) 368-8056,
Cable: UNEQUIP — Telex 02-2084

April 21st, 1967.

Directors of MacLeod-Cockshutt Gold Mines Limited,
Directors of Consolidated Mosher Mines Limited,
Suite 400,
112 King Street West,
Toronto 1, Ontario.

Gentlemen:

As authorized, an appraisal of the surface buildings and underground equipment of MacLeod-Cockshutt Gold Mines Limited and Consolidated Mosher Mines Limited at Geraldton, Ontario, was made by us during the period between April 5th and April 12th, 1967.

The buildings and equipment, excepting the houses, were appraised at salvage value which, in our opinion, is appropriate in the circumstances. The value of the houses was determined on the basis of local demand for houses, and represents an amount which we feel would be obtained on a sale.

The buildings and equipment were valued separately, and classified under surface equipment, buildings, and underground equipment. With respect to MacLeod-Cockshutt, there is included a miscellaneous classification which covers all types of tools and miscellaneous items not included in the other classifications.

Such valuations are as follows:—

	MacLeod	Mosher	Total
Surface equipment	\$558,270.00	\$127,773.00	\$ 686,043.00
Buildings, including houses	92,850.00	19,560.00	112,410.00
Underground equipment	258,044.00	105,466.00	363,510.00
Miscellaneous	25,000.00	—	25,000.00
Total	<u>\$934,164.00</u>	<u>\$252,799.00</u>	<u>\$ 1,186,963.00</u>

In our opinion, the above valuations represent the true net value of the items referred to as at April 21, 1967, after deducting amounts payable for commissions on sales and dismantling costs.

We also are of the opinion that such valuations will still be accurate after three more years of operations, as the equipment will not depreciate by any significant amount due to continued use for such period and, in any event, any further depreciation will be offset by the increasing cost of new equivalent equipment.

Yours very truly,

U and N EQUIPMENT LIMITED
J. N. ROBERTSON
President

EXHIBIT A
CONSOLIDATED MOSHER MINES LIMITED

SPECIAL RESOLUTION

BE IT RESOLVED as a Special Resolution of CONSOLIDATED MOSHER MINES LIMITED as follows:

1. The Company be and it is hereby authorized to make application to the Lieutenant-Governor of the Province of Ontario for the issue of supplementary letters patent decreasing the authorized capital of the Company from \$10,000,000, divided into 5,000,000 shares with a par value of \$2 each, to \$2,176,540, divided into 1,088,270 shares with a par value of \$2 each, by cancelling pro rata 2,176,540 issued and outstanding shares with a par value of \$2 each of the capital of the Company and by cancelling the 1,735,190 unissued shares with a par value of \$2 each of the capital of the Company.
2. The Directors and/or proper Officers of the Company be and they are hereby authorized and directed on behalf of the Company to sign and execute all documents and do all things necessary or advisable in connection with the foregoing.

PASSED by the Directors this 18th day of May, 1967.

"B. A. ARGO,"
Secretary.

"R. C. STANLEY, Jr.,"
President.

Corporate Seal

EXHIBIT B
HARD ROCK GOLD MINES, LIMITED

SPECIAL RESOLUTION

BE IT RESOLVED as a Special Resolution of HARD ROCK GOLD MINES, LIMITED as follows:

1. The Company be and it is hereby authorized to make application to the Lieutenant-Governor of the Province of Ontario for the issue of supplementary letters patent decreasing the authorized capital of the Company from \$7,500,000, divided into 7,500,000 shares with a par value of \$1 each, to \$591,100, divided into 591,100 shares with a par value of \$1 each, by cancelling pro rata 5,319,900 issued and outstanding shares with a par value of \$1 each of the capital of the Company and by cancelling the 1,589,000 unissued shares with a par value of \$1 each of the capital of the Company.
2. The Directors and/or proper Officers of the Company be and they are hereby authorized and directed on behalf of the Company to sign and execute all documents and do all things necessary or advisable in connection with the foregoing.

PASSED by the Directors this 18th day of May, 1967.

"B. A. ARGO,"
Secretary.

"J. C. L. ALLEN,"
President.

Corporate Seal

EXHIBIT C
MacLEOD SALE INDENTURE

THIS INDENTURE made this 8th day of June, 1967,

BETWEEN :

MacLEOD - COCKSHUTT GOLD MINES LIMITED,
a company incorporated under the laws of the Province
of Ontario (hereinafter called "MacLeod"),
OF THE FIRST PART;

— and —

CONSOLIDATED MOSHER MINES LIMITED, a
company incorporated under the laws of the Province
of Ontario (hereinafter called "Mosher"),

OF THE SECOND PART;

WITNESSETH :

1. For the consideration hereinafter mentioned MacLeod hereby sells, assigns, conveys, transfers and sets over unto Mosher all right, title and interest of MacLeod in and to the following (hereinafter referred to as the "Mining Rights"), viz:

Those certain mining rights and licences of occupation pertaining to lands situate in the Townships of Errington and/or Ashmore, in the Geraldton area of the Province of Ontario, described in Schedule One hereto annexed, including the right to take and remove minerals from such lands, but excluding any property constituting depreciable property as defined in the Income Tax Act (Canada) and, in particular, any underground workings, equipment, machinery and installations.

2. The consideration for the said sale is the sum of \$200,000 being an amount equal to the estimated present value of the ore reserves to which the Mining Rights pertain, which sum MacLeod hereby acknowledges having received in full.

3. MacLeod agrees that it will from time to time at the request of Mosher execute and deliver or cause to be executed and delivered to Mosher all such further deeds, assignments, transfers, conveyances and assurances as may be required to implement the full intent and meaning of this Indenture, and to vest in Mosher the full legal, equitable and beneficial title and interest of MacLeod to and in the Mining Rights. In the event of any conflict between the provisions of any such instruments of further assurance and the provisions of this Indenture, the provisions of this Indenture shall prevail.

4. MacLeod agrees that MacLeod will for and on behalf of Mosher exploit the Mining Rights, mill the gold ores mined and sell the metals resulting therefrom, the whole for such period as Mosher may require, and at a cost to Mosher equal to the actual cost to MacLeod of such mining, milling and selling, plus 10%. It is understood and agreed that such cost to MacLeod will include administration and general expenses and that the auditors of MacLeod shall determine the amount of such cost, which determination shall be final and binding on the parties hereto.

5. It is understood and agreed that unless on or before July 31, 1967, MacLeod, Mosher and Hard Rock Gold Mines, Limited have amalgamated and continued as one company substantially upon and subject to the terms and conditions set forth in an amalgamation agreement between said companies in the form annexed hereto and marked Exhibit D, Mosher shall forthwith on demand of MacLeod and upon payment of \$200,000, sell, assign, convey, transfer and set over unto MacLeod all right, title and interest in and to the Mining Rights acquired by Mosher by virtue of this Indenture.

IN WITNESS WHEREOF MacLeod and Mosher have executed this Indenture.

MacLEOD - COCKSHUTT GOLD MINES LIMITED

By _____

And _____

CONSOLIDATED MOSHER MINES LIMITED

By _____

And _____

SCHEDULE ONE TO
MacLEOD SALE INDENTURE

Mining rights and licences of occupation pertaining to lands situate in the Townships of Errington and/or Ashmore in the Geraldton area, in the District of Thunder Bay, in the Province of Ontario as follows:—

- (i) the mining rights of 23 patented mining claims, viz:

Mining Claims TB 10029, TB 10030, TB 10031, TB 10032,
TB 10033, TB 10035, TB 10036, TB 10037,
TB 10038, TB 10039, TB 10040, TB 10041,
TB 10045, TB 10047, TB 10197, TB 10198,
TB 10481, TB 10482, TB 10483, TB 10615,
TB 10616, TB 11016, TB 11017,

- (ii) four licences of occupation in the Register of Licences of Occupation in the Department of Mines of Ontario granted by the Minister of Mines and bearing respectively numbers 3780, 3781, 3782 and 3783.

EXHIBIT D
AMALGAMATION AGREEMENT

THIS AGREEMENT made as of the 18th day of May, 1967,
BETWEEN :

MacLEOD - COCKSHUTT GOLD MINES LIMITED,
(hereinafter called "MacLeod"),
OF THE FIRST PART;
CONSOLIDATED MOSHER MINES LIMITED,
(hereinafter called "Mosher"),
OF THE SECOND PART;
— and —
HARD ROCK GOLD MINES, LIMITED,
(hereinafter called "Hard Rock"),
OF THE THIRD PART;

WHEREAS MacLeod, Mosher and Hard Rock were each incorporated by Letters Patent under the laws of the Province of Ontario;

AND WHEREAS MacLeod, Mosher and Hard Rock have the same or similar objects;

AND WHEREAS the authorized capital of MacLeod consists of \$3,000,000 divided into 3,000,000 shares with a par value of \$1 each of which 2,862,490 shares are issued and outstanding as fully paid and non-assessable;

AND WHEREAS the authorized capital of Mosher consists of \$10,000,000 divided into 5,000,000 shares with a par value of \$2 each of which 3,264,810 shares are issued and outstanding as fully paid and non-assessable;

AND WHEREAS the authorized capital of Hard Rock consists of \$7,500,000 divided into 7,500,000 shares with a par value of \$1 each of which 5,911,000 shares are issued and outstanding as fully paid and non-assessable;

AND WHEREAS the directors of Mosher on the 18th day of May, 1967 passed a resolution as a Special Resolution authorizing an application to the Lieutenant-Governor of the Province of Ontario for supplementary letters patent decreasing the authorized capital of Mosher from \$10,000,000 divided into 5,000,000 shares with a par value of \$2 each, to \$2,176,540 divided into 1,088,270 shares with a par value of \$2 each by cancelling pro rata 2,176,540 presently issued and outstanding shares with a par value of \$2 each of Mosher and by cancelling the 1,735,190 unissued shares with a par value of \$2 each of Mosher;

AND WHEREAS subject to due confirmation of such resolution as a Special Resolution by the shareholders of Mosher and the issue of supplementary letters patent so decreasing the capital of Mosher, the authorized capital of Mosher will consist of \$2,176,540 divided into 1,088,270 shares with a par value of \$2 each, all of which will be issued and outstanding as fully paid and non-assessable;

AND WHEREAS the directors of Hard Rock on the 18th day of May, 1967 passed a resolution as a Special Resolution authorizing an application to the Lieutenant-Governor of the Province of Ontario for supplementary letters patent decreasing the authorized capital of Hard Rock from \$7,500,000 divided into 7,500,000 shares with a par value of \$1 each to \$591,100 divided into 591,100 shares with a par value of \$1 each by cancelling pro rata, 5,319,900 presently issued and outstanding shares with a par value of \$1 each of Hard Rock and by cancelling the 1,589,000 unissued shares with a par value of \$1 each of Hard Rock;

AND WHEREAS subject to due confirmation of such resolution as a Special Resolution by the shareholders of Hard Rock and the issue of supplementary letters patent so decreasing the capital of Hard Rock, the authorized capital of Hard Rock will consist of \$591,100 divided into 591,100 shares with a par value of \$1 each, all of which will be issued and outstanding as fully paid and non-assessable;

AND WHEREAS MacLeod, Mosher and Hard Rock, under the authority of The Corporations Act, propose to amalgamate upon and subject to the terms and conditions herein prescribed and to continue as one company;

AND WHEREAS each of MacLeod, Mosher and Hard Rock has made full disclosure to each of the others as to its assets and liabilities;

AND WHEREAS it is desirable that the amalgamation should be effected;

AND WHEREAS it is proposed, subject to approval by the shareholders of each of MacLeod and Mosher that MacLeod and Mosher will enter into a certain indenture (hereinafter called the "MacLeod Sale Indenture")

by which MacLeod will sell to Mosher certain mining rights and licences of occupation pertaining to lands situate in the Townships of Errington and/or Ashmore, in the District of Thunder Bay in the Province of Ontario, including the right to take and remove minerals therefrom;

NOW THEREFORE THIS AGREEMENT WITNESSETH as follows:

1. In this Agreement, the expressions (a) "Amalgamated Company" shall mean the company continuing by virtue of the amalgamation of MacLeod, Mosher and Hard Rock, and (b) "letters patent" shall mean the letters patent confirming this Agreement and amalgamating MacLeod, Mosher and Hard Rock.
2. MacLeod, Mosher and Hard Rock do hereby agree to amalgamate pursuant to the provisions of Section 96 of The Corporations Act and to continue as one company under the terms and conditions herein prescribed.
3. The name of the Amalgamated Company shall be MacLeod Mosher Gold Mines Limited or any variation thereof acceptable to the Lieutenant-Governor of the Province of Ontario.
4. The objects of the Amalgamated Company shall be as follows:
 - (a) To carry on in all its branches the business of mining, milling, reduction and development;
 - (b) To acquire, own, lease, prospect for, open, explore, develop, work, improve, maintain and manage mines and mineral lands and deposits, including oil and gas lands and deposits, and to dig for, raise, crush, wash, smelt, assay, analyse, reduce, amalgamate, refine, pipe, convey and otherwise treat ores, metals and minerals, including oil and gas, whether belonging to the Amalgamated Company or not, and to render the same merchantable and to sell or otherwise dispose of the same or any part thereof or interest therein; and
 - (c) To take, acquire and hold as consideration for ores, metals or minerals, including oil and gas, sold or otherwise disposed of or for goods supplied or for work done by contract or otherwise, shares, debentures or other securities of or in any other company having objects similar, in whole or in part, to those of the Amalgamated Company, and to sell and otherwise dispose of the same;

And the following provisions shall apply to the Amalgamated Company:

- (i) That it shall not be necessary for a majority of the board of directors of the Amalgamated Company to constitute a quorum, but the quorum shall be two-fifths (2/5) of the board of directors;
- (ii) That meetings of the board of directors and the executive committee (if any) of the Amalgamated Company may be held at any place within or outside of Ontario and meetings of the shareholders of the Amalgamated Company may be held at any place within Ontario;
- (iii) That the Amalgamated Company may pay commissions to persons in consideration of their subscribing or agreeing to subscribe, whether absolutely or conditionally, for shares in the Amalgamated Company, or procuring or agreeing to procure subscriptions whether absolute or conditional for such shares but no such commission shall exceed twenty-five per cent (25%) of the amount of the subscription;
- (iv) That the directors of the Amalgamated Company may from time to time:—
 - (a) borrow money on the credit of the Amalgamated Company;
 - (b) issue, sell or pledge securities of the Amalgamated Company;
 - (c) charge, mortgage, hypothecate or pledge all or any of the real and personal property of the Amalgamated Company both present and future, including book debts and unpaid calls, rights, powers, franchises and undertaking, to secure any securities or any money borrowed, or other debt, or any other obligation or liability of the Amalgamated Company.

5. The authorized capital of the Amalgamated Company shall consist of 5,000,000 shares without par value, provided that the 5,000,000 shares shall not be issued for a consideration exceeding in amount or value the sum of Five Million Dollars (\$5,000,000), or such greater amount as the board of directors of the Amalgamated Company deems expedient on payment to the Treasurer of Ontario of the fees payable on such greater amount and the issuance by the Provincial Secretary of a certificate of such payment.

6. Prior to the issue of the letters patent, Mosher shall apply for and obtain supplementary letters patent decreasing its authorized capital from \$10,000,000 to \$2,176,540 divided into 1,088,270 shares with a par value of \$2 each, by (i) cancelling pro rata, 2,176,540 of its 3,264,810 issued shares with a par value of \$2 each, and (ii) cancelling its 1,735,190 unissued shares with a par value of \$2 each.

7. Prior to the issue of the letters patent, Hard Rock shall apply for and obtain supplementary letters patent decreasing its authorized capital from \$7,500,000 to \$591,100 divided into 591,100 shares with a par value of \$1 each, by (i) cancelling pro rata, 5,319,900 of its 5,911,000 issued shares with a par value of \$1 each, and

(ii) cancelling its 1,589,000 unissued shares with a par value of \$1 each.

8. The 438,194 shares of Mosher which will be recorded in the books of Mosher in the name of MacLeod upon the issue of the supplementary letters patent to Mosher referred to in clause 6 hereof shall be cancelled; the 179,159 shares of Mosher which will be recorded in the books of Mosher in the name of Hard Rock upon the issue of such supplementary letters patent to Mosher shall be cancelled; the 170,376 shares of MacLeod which are recorded in the books of MacLeod in the name of Hard Rock shall be cancelled; and the 243,043 shares of Hard Rock which will be recorded in the books of Hard Rock in the name of MacLeod upon the issue of the supplementary letters patent to Hard Rock referred to in clause 7 hereof, shall be cancelled.

9. The authorized capital of MacLeod, Mosher and Hard Rock after giving effect to the issue of supplementary letters patent as aforesaid and to the cancellations of shares referred to in clause 8 hereof, shall be converted into the authorized capital of the Amalgamated Company on the following basis:

- (a) the 2,692,114 remaining issued shares with a par value of \$1 each of MacLeod shall be converted into 2,692,114 issued and fully paid and non-assessable shares without par value of the Amalgamated Company, being at the rate of one share of the Amalgamated Company for each one share of MacLeod;
- (b) the 470,917 remaining issued shares with a par value of \$2 each of Mosher shall be converted into 470,917 issued and fully paid and non-assessable shares without par value of the Amalgamated Company, being at the rate of one share of the Amalgamated Company for each one share of Mosher as then constituted; and
- (c) the 348,057 remaining issued shares with a par value of \$1 each of Hard Rock shall be converted into 348,057 issued and fully paid and non-assessable shares without par value of the Amalgamated Company, being at the rate of one share of the Amalgamated Company for each one share of Hard Rock as then constituted.

After the issue of the letters patent, the shareholders of MacLeod, Mosher and Hard Rock, as and when requested by the Amalgamated Company, shall surrender for cancellation the certificates representing shares held by them in MacLeod, Mosher and Hard Rock respectively, and shall be entitled to receive in exchange therefor certificates for shares without par value of the Amalgamated Company on the bases aforesaid.

10. The head office of the Amalgamated Company shall be situate in the Municipality of Metropolitan Toronto, in the County of York, in the Province of Ontario.

11. The by-laws of the Amalgamated Company shall be those set out in Schedule X hereto, until repealed, amended, altered or added to by by-law.

12. The board of directors of the Amalgamated Company, until otherwise determined by special resolution, shall consist of five members and the first directors of the Amalgamated Company with their names, callings and places of residence shall be as follows:

<u>Name</u>	<u>Calling</u>	<u>Residence</u>
JOHN CHARLES LEIGHTON ALLEN.....	Stockbroker	3 Clarendon Crescent, Toronto 7, Ontario.
PETER ACKERMAN ALLEN.....	Stockbroker	51 Lowther Avenue, Toronto 5, Ontario.
JOHN DOUGLAS BRYCE.....	Mining Engineer	87 Lytton Boulevard, Toronto 10, Ontario.
PETER KEITH HANLEY.....	Stockbroker	65 Trafalgar Road, Oakville, Ontario.
ROBERT CROOKS STANLEY, JR.....	Mining Executive	578 Navesink River Rd., Mounted Route #1, Red Bank, New Jersey, U.S.A.

The said first directors shall hold office until the first annual meeting of the Amalgamated Company or until their successors are elected or appointed. The subsequent directors shall be elected or appointed in accordance with the provisions of The Corporations Act. The management and working of the Amalgamated Company shall be under the control of the board of directors, subject to the provisions of The Corporations Act.

13. MacLeod shall contribute to the Amalgamated Company all its assets, subject to all its liabilities, as such assets and liabilities exist on the date of the letters patent.

14. Mosher shall contribute to the Amalgamated Company all its assets, subject to all its liabilities, as such assets and liabilities exist on the date of the letters patent.

15. Hard Rock shall contribute to the Amalgamated Company all its assets, subject to all its liabilities, as such assets and liabilities exist on the date of the letters patent.

16. The Amalgamated Company shall possess all the property, rights, privileges and franchises and shall be subject to all the liabilities, contracts, disabilities and debts of each of MacLeod, Mosher and Hard Rock.

17. The rights of creditors against the property, rights and assets of MacLeod, Mosher and Hard Rock and all liens upon their property, rights and assets shall be unimpaired by such amalgamation, and all debts, contracts, liabilities and duties of MacLeod, Mosher and Hard Rock shall thenceforth attach to the Amalgamated Company and may be enforced against it.

18. No action or proceeding by or against MacLeod, Mosher or Hard Rock shall abate or be affected by the amalgamation.

19. This Agreement is conditional upon the shareholders of each of MacLeod and Mosher having duly approved of their respective companies entering into the MacLeod Sale Indenture and the said companies having entered into the said Indenture. Unless such condition is fulfilled on or before the 28th day of July, 1967, this Agreement shall be null and void and of no further force and effect. The joint certificate or affidavit of the Secretaries of MacLeod and Mosher that such condition has been fulfilled shall be conclusive as to its fulfilment.

20. Upon the shareholders of MacLeod, Mosher and Hard Rock respectively approving the execution of and adopting this Agreement, the fact of such approval and adoption shall be certified upon this Agreement by the Secretary of each of MacLeod, Mosher and Hard Rock under their respective corporate seals and MacLeod, Mosher and Hard Rock shall jointly on or before the 31st day of July, 1967, apply to the Lieutenant-Governor of the Province of Ontario for letters patent confirming this Agreement and amalgamating MacLeod, Mosher and Hard Rock.

21. MacLeod, Mosher and Hard Rock may by resolution of their respective directors assent to any alteration or modification of this Agreement which their respective shareholders at meetings called to approve the execution of and to adopt this Agreement, or the Provincial Secretary of Ontario, may approve, and unless the context otherwise requires the expression "this Agreement" as used herein shall be deemed to mean and include this Agreement as so altered or modified.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the day and year first above written.

MACLEOD-COCKSHUTT GOLD MINES LIMITED

By J. C. L. ALLEN,
President.
and B. A. ARGO,
Secretary.
Corporate
Seal

CONSOLIDATED MOSHER MINES LIMITED

By P. K. HANLEY,
Vice-President.
and B. A. ARGO,
Secretary.
Corporate
Seal

HARD ROCK GOLD MINES, LIMITED

By J. C. L. ALLEN,
President.
and B. A. ARGO,
Secretary.
Corporate
Seal

SCHEDULE X
TO THE AMALGAMATION AGREEMENT
MacLEOD MOSHER GOLD MINES LIMITED

By-law Number 1

A By-law relating generally to the transaction of the business and affairs of MacLEOD MOSHER GOLD MINES LIMITED.

Interpretation

1. In this by-law and all other by-laws of the Company unless the context otherwise requires, words importing the singular number only shall include the plural and vice versa; words importing the masculine gender shall include the feminine gender and neuter gender; words importing persons shall include companies, corporations, partnerships and any number or aggregate of persons; "the Company" shall mean MacLeod Mosher Gold Mines Limited; "Board" shall mean the Board of Directors of the Company; "letters patent" shall include supplementary letters patent; "The Corporations Act" shall mean The Corporations Act, R.S.O. 1960, Chapter 71, as amended from time to time or any Act that may hereafter be substituted therefor; and "The Interpretation Act" shall mean The Interpretation Act, R.S.O. 1960, Chapter 191 as amended from time to time or any Act that may hereafter be substituted therefor.

Offices

2. (a) **HEAD OFFICE** — The head office of the Company shall be in the Municipality of Metropolitan Toronto, in the County of York, in the Province of Ontario, and at such place therein as the Board may from time to time decide.
- (b) **OTHER OFFICES** — Offices other than the head office may be maintained at such other places within or without the Province of Ontario as the Board may determine.

Seal

3. The seal of the Company shall be in the form impressed hereon.

Officers

4. **ELECTION OF PRESIDENT** — The Board shall elect from among its members a president. Unless otherwise ordered by the Board or by a court of competent jurisdiction, the last incumbent, if a member of the Board, shall continue to hold office until his successor is elected. A vacancy occurring from time to time in such office shall be filled by the Board from among its members.

5. **APPOINTMENT OF OTHER OFFICERS** — The Board shall appoint a secretary and may appoint one or more vice-presidents, a manager or general manager, a treasurer and such other officers as it may deem desirable including one or more assistants to any of the officers so appointed. The officers so appointed may but need not be members of the Board.

6. **TERM OF OFFICE, DUTIES, REMUNERATION, ETC.** — The term of employment, duties and remuneration of the officers and the security, if any, to be given by them to the Company shall be settled and determined from time to time by the Board, but in the absence of an agreement to the contrary, the employment of all officers shall be during the pleasure of the Board. One person may hold more than one office at one time. If more than one vice-president be appointed, the Board may determine their respective seniorities. Any officer, employee or agent of the Company may be required to give such bond for the faithful performance of his duties as the Board, in its uncontrolled discretion may require, but no director shall be liable for failure to require any bond or for the insufficiency of any bond or for any loss by reason of the failure of the Company to receive any indemnity thereby provided.

7. **PRESIDENT** — Subject to the provisions relating to the duties of the president and the chairman of the Board, respectively, contained in any special resolution providing for the election of a chairman of the Board, the president when present shall preside at all meetings of the shareholders and of the Board and shall be fully

empowered and authorized to exercise the general supervision of the business and affairs of the Company, subject only to the direction of the Board, and he shall have such other powers and duties as the Board may, from time to time, determine. The president, with the secretary or an assistant secretary or such other officer as the Board may appoint, shall sign all by-laws. Except when the Board has appointed a manager or a general manager, the president shall also have the powers and be charged with the duties of that office.

8. VICE-PRESIDENT OR VICE-PRESIDENTS — During the absence or inability to act of the president, his powers and duties shall devolve upon the vice-president, provided he is a director, and if there be more than one in that category, such powers and duties shall devolve upon the executive vice-president if one be appointed, and if there be none or if he be not available, such powers and duties shall devolve upon the vice-president appointed for that purpose by the Board. Every act done by such a vice-president in purported exercise of the powers and duties of the president, which if done by the president would bind the Company, shall bind the Company when so done by such vice-president, whose authority in such case shall not be impugned, and the absence or inability of the president with reference thereto shall be presumed. The vice-president or vice-presidents, shall also perform such duties and exercise such powers as the Board may prescribe.

9. MANAGER OR GENERAL MANAGER — The manager of the Company (herein referred to as the “manager”), or the general manager if one be appointed, shall have the active management and general supervision of the business and affairs of the Company and shall have all the general duties and powers usually vested in the manager of a corporation subject to the authority of the Board and the supervision of the president. On the direction of the Board or the president, he shall see that orders and resolutions of the Board are carried into effect. Employees of the Company shall be under his superintendence and direction and he shall see that their duties are properly performed. The Board shall have power, however, at any time and from time to time to divide the duties herein cast upon the manager or general manager with any other officer or officers of the Company and to define the specific duties to be performed by the manager or general manager and all other officers.

10. SECRETARY — The secretary shall:—

- (a) attend at and keep the minutes of the meetings of the shareholders and of the Board in books provided for that purpose;
- (b) see that notices of such meetings are duly given in accordance with the provisions of the by-laws of the Company or as required by law; and
- (c) perform all duties incident to the office of secretary and such other duties as may be from time to time assigned to him by the Board or the president.

11. TREASURER — The treasurer shall, subject to the direction of the Board and the president, have general charge of the finances of the Company. He shall perform all duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the Board or the president. He shall cause books to be kept in which shall be entered the receipts and disbursements and assets and liabilities of the Company and shall, subject to the direction of the Board and the president, have charge and custody of and be responsible for all funds and securities and cause to be deposited all such funds and securities in the name of the Company in such depository or depositories as may be selected from time to time by the Board.

12. OTHER OFFICERS — The duties of all other officers of the Company shall be such as the terms of their engagement call for or as the Board shall determine save those of chairman of the Board, whose powers and duties shall be set out in any special resolution passed providing for his election.

13. VARIATION AND DELEGATION OF DUTIES — From time to time the Board may vary, add to or limit the powers and duties of any officer or officers. In case of the absence or inability to act of any officer of the Company (including the president or any vice-president or any other officer), the Board may, subject to the provisions of the by-laws of the Company, empower another officer or any director to exercise temporarily the powers and carry out the duties of the officer absent or unable to act.

14. AGENTS AND ATTORNEYS — The Board shall have power from time to time to appoint agents or attorneys for the Company in or out of Ontario with such powers of management or otherwise (including the power to sub-delegate) as may be thought fit.

Contracts, Banking Arrangements, Etc.

15. CONTRACTS — Contracts and engagements on behalf of the Company may be made and bills of exchange and promissory notes on behalf of the Company may be made, drawn, accepted and endorsed and deeds, transfers, mortgages, charges, hypothecs, leases, assignments and all other documents may be executed on behalf of the Company by the president or a vice-president who is also a director and the secretary or the treasurer or by any one of the aforesaid officers and a director or by any two directors, provided nevertheless that the Board may appoint any other person or persons, from time to time, to make contracts and engagements on behalf of

the Company, to make, draw, accept and endorse bills of exchange and promissory notes on behalf of the Company and to execute deeds, transfers, mortgages, charges, hypothecs, leases, assignments and all other documents on behalf of the Company. The Company's seal may be affixed to such documents as require the same by any of the persons executing such documents in accordance with the foregoing provisions of this article.

16. **BANKING** — The Company's bank accounts shall be kept in such bank or banks, or such trust company or trust companies, or any firms or corporations carrying on a banking business as the Board may from time to time determine. All cheques, drafts, notes, acceptances or orders for the payment of money shall be signed by the president or a vice-president who is also a director and the secretary or treasurer or by such other officer or officers or such other person or persons as the Board may from time to time appoint, provided that bills of exchange, promissory notes or cheques or orders for the payment of money may be endorsed for deposit to the credit of the Company with any banker of the Company by any one of the following, viz: the president, a vice-president who is also a director, the manager or general manager, secretary, treasurer or such other person or persons as the Board may from time to time appoint for that purpose, or if the Board so determine, by means of a rubber stamp. If authorized by resolution of the Board, the signature of any officer or other person authorized to sign cheques may be engraved, lithographed or otherwise mechanically reproduced in facsimile thereon, and in such event and subject to the terms and conditions set forth or provided for in such resolution having been complied with, such facsimile signature shall for all purposes be deemed to be the signature of the officer or person whose signature it reproduces and shall be binding upon the Company.

Shares

17. **PAYMENT OF COMMISSIONS** — The Board, subject to the provisions of The Corporations Act and the letters patent of the Company, may pay commissions to persons in consideration of their subscribing or agreeing to subscribe, whether absolutely or conditionally, for shares of the Company, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for such shares but no such commissions shall exceed twenty-five percent of the amount of the subscription.

18. **ALLOTMENT** — The Board may from time to time allot the authorized and unissued shares of the Company, including any shares created by supplementary letters patent increasing or otherwise varying the capital of the Company, to such person or persons or class or classes of persons as the Board shall by resolution determine. The Board may also from time to time grant options to purchase any of such authorized and unissued shares to any person for such consideration and upon such terms as the Board may fix.

19. **CALLS** — The Board may from time to time by resolution call in and by notice thereof in writing in accordance with The Corporations Act, demand from the shareholders the whole or any part of the amount unpaid on shares held by them, at such times and places and in such payments or instalments as the Board thinks fit or the terms of allotment and issue of such shares require or allow.

If after demand made as aforesaid, any call or instalment thereof is not paid in accordance with the demand, the Board may forfeit any shares as provided in The Corporations Act.

20. **SHARE CERTIFICATES** — Share certificates shall be in such form or forms as the Board may from time to time approve. Unless otherwise ordered by the Board, they shall be signed by the president or a vice-president who is a director and by the secretary or an assistant secretary and need not be under the corporate seal; provided that certificates representing shares in respect of which a transfer agent has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent. If authorized by resolution of the Board, the signature of one of the signing officers, or in the case of share certificates representing shares in respect of which a transfer agent has been appointed, the signatures of both signing officers, may be printed, engraved, lithographed, or otherwise mechanically reproduced in facsimile upon share certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Company provided the share certificate is otherwise validly issued. Share certificates otherwise valid shall continue to be valid notwithstanding that one or both of the officers whose signature (whether manual or facsimile) appears thereon no longer holds office at the date of issue or delivery thereof.

21. **REFUSAL TO REGISTER TRANSFER** — Except where the shares are listed on a recognized stock exchange, the Board may refuse to permit the registration of a transfer of fully paid shares of the Company registered in the name of a shareholder who is indebted to the Company.

22. **TRANSFER AGENT AND REGISTRAR** — The Board may from time to time by resolution appoint (or remove) a transfer agent or a registrar (who may, but need not be the same individual or company) and one or more branch transfer agents or registrars (who may, but need not be the same individual or company), for the shares of the Company and may provide for the transfer of shares in one or more places and may provide that shares will be interchangeably transferable or otherwise.

23. **REPLACEMENT OF SHARE CERTIFICATES** — The Board may by resolution prescribe, either generally or in any particular case, the terms and conditions upon which a new share certificate may be issued in lieu of and upon

cancellation of a share certificate which has become mutilated or in substitution for a share certificate which has been lost, stolen or destroyed, and in any such case the Board may require the applicant to provide such indemnification of the Company and its transfer agents and registrars as the Board may deem fit.

24. **TRANSFER OF SHARES** — Shares of the Company shall be transferable only on the register of transfers or on one of the branch registers of transfers (if any) kept by or for the Company in respect thereof, by the registered holder of such shares in person or by his attorney duly appointed in writing or lawful successor, upon surrender and cancellation of the certificate representing such shares properly endorsed or accompanied by a properly executed instrument of transfer, subject to the provisions of The Corporations Act, and in form and substance satisfactory to the Company and with evidence of the legal sufficiency thereof satisfactory to the Company and/or counsel of the Company.

25. **CLOSING REGISTER** — The Board may by resolution close the register of transfers and the branch register or registers of transfers, if any, for a period of time not exceeding forty-eight hours, exclusive of Saturdays and holidays (as defined by The Interpretation Act), immediately preceding any meeting of the shareholders, and notice of every such closing shall be given as required by The Corporations Act.

26. **RECORD DATE** — The Board may fix in advance a date preceding by not more than thirty-one days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of right to subscribe for shares or securities of the Company, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such shares or securities, as the case may be, and in every such case only such persons as shall be shareholders of record at the close of business on the date so fixed shall be entitled to receive payment of such dividend or to exercise the right to subscribe for such shares or securities and to receive the warrant or other evidence in respect of such right, as the case may be.

Directors

27. **QUALIFICATIONS** — Each director shall be twenty-one or more years of age, and within ten days after his election and throughout the remainder of his term of office shall be the holder of at least one share of the Company and not in arrears in respect of any call.

28. **POWERS, NUMBER OF DIRECTORS AND QUORUM** — The affairs of the Company shall be managed by its Board of directors. Until changed by special resolution or supplementary letters patent the number of the directors of the Company shall be five of whom two shall constitute a quorum for the transaction of business at any meeting of directors. Notwithstanding vacancies, the remaining directors may exercise all the powers of the Board so long as a quorum of the Board remains in office.

29. **ELECTION AND TERM** — The election of directors shall take place yearly and all the directors then in office shall retire, but if qualified, are eligible for re-election. If an election of directors is not held at the proper time, the directors shall continue in office until their successors are elected. The election may be by a resolution of the shareholders passed on a show of hands unless a ballot be demanded by any shareholder.

30. **VACANCIES** — The Board may by resolution fill any casual vacancy or vacancies on the Board caused by death, retirement, disqualification or otherwise, or fill any vacancy or vacancies created by an increase in the number of directors, without holding an election by ballot. A director so elected to fill a casual vacancy shall hold office for the balance of the unexpired term of his predecessor, or in the case of an increase in the number of directors on the Board, for the remainder of the term of office of the Board.

31. **MEETINGS OF DIRECTORS** — Meetings of the directors may be held at the head office of the Company or elsewhere within or outside of the Province of Ontario from time to time. Directors' meetings may be called by the president or a vice-president who is a director or by any two directors, and the secretary shall call meetings when directed or authorized by the president or by a vice-president who is a director or by any two directors. Notice of any such meeting shall be given to each of the directors not less than forty-eight hours, exclusive of Saturdays and holidays (as defined in The Interpretation Act), before the meeting is to take place; provided that no notice shall be required to be given of any meeting of directors held for the sole purpose of organization and the election and appointment of officers immediately following any annual meeting and no notice of a meeting shall be necessary if all the directors are present or if those absent waive notice thereof or give their consent in writing to such meeting being held.

32. **VOTES TO GOVERN** — At all meetings of the Board every question shall be decided by a majority of the votes cast on the question; and in case of an equality of votes the chairman of the meeting shall be entitled to a second or casting vote in addition to his original vote.

33. **REMUNERATION OF DIRECTORS** — The Board is authorized to fix from time to time by resolution the remuneration of the directors as directors of the Company and of the president as president of the Company and

to allow and pay out of the funds of the Company, from time to time, to the president and other directors such amounts as the Board may deem proper for fees, salary, commission or other remuneration for services performed or to be performed or both, and for expenses incurred or to be incurred or both in connection with the Company's affairs. Any remuneration so payable to a director who is also an officer or employee of the Company or who serves it in any professional capacity, shall unless the Board otherwise directs, be in addition to his salary as such officer or employee or to his professional fees, as the case may be. The directors shall also be paid their reasonable out-of-pocket expenses incurred in attending Board, executive committee or shareholders' meetings or otherwise in respect to the performance by them of their duties, unless the Board otherwise directs.

34. PROTECTION OF DIRECTORS AND OFFICERS — No director or officer for the time being of the Company shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipts or other acts for conformity, or for any loss, damage or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Company shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation with whom or which any moneys, securities or effects of the Company shall be lodged or deposited or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto, unless the same shall happen by or through his own wilful neglect, or wilful default or dishonesty.

35. INDEMNITY OF DIRECTORS AND OFFICERS — Every director and every officer of the Company and his heirs, executors and administrators, and estate and effects, respectively, shall, from time to time and at all times, be indemnified and saved harmless out of the funds of the Company, from and against:—

- (a) all costs, charges and expenses whatsoever which such director or officer sustains or incurs in or about any action, suit or proceeding which is brought, commenced or prosecuted against him, for or in respect of any act, deed, matter or thing whatsoever, made, done or permitted by him, in or about the execution of the duties of his office (or alleged or purported so to be); and
- (b) all other costs, charges and expenses which he sustains or incurs in or about or in relation to the affairs of the Company, except such costs, charges or expenses as are occasioned by his own wilful neglect or default.

36. INTEREST OF DIRECTORS IN CONTRACTS —

- (a) Every director of the Company who is in any way directly or indirectly interested in a proposed contract or a contract with the Company shall declare his interest at a meeting of the directors of the Company;
- (b) In the case of a proposed contract, the said declaration of interest shall be made at the meeting of the directors at which the question of entering into the contract is first taken into consideration or, if the director is not at the date of that meeting interested in the proposed contract, at the next meeting of the directors held after he becomes so interested; and, in a case where the director becomes interested in a contract after it is made, the declaration shall be made at the first meeting of the directors held after he becomes so interested;
- (c) A general notice given to the directors of the Company by a director to the effect that he is a shareholder of or otherwise interested in any other company, or is a member of a specified firm and is to be regarded as interested in any contract made with such other company or firm shall be deemed to be a sufficient declaration of interest in relation to a contract so made, but no such notice is effective unless it is given at a meeting of the directors or the director takes reasonable steps to ensure that it is brought up and read at the next meeting of the directors after it is given;
- (d) If a director has made a declaration of his interest in a proposed contract or contract in compliance with this article and has not voted in respect of the contract, he is not accountable to the Company or to any of its shareholders or creditors for any profit realized from the contract, and the contract is not voidable by reason only of his holding that office or of the fiduciary relationship established thereby;
- (e) Notwithstanding anything contained in this article, a director of the Company is not accountable to the Company or to any of its shareholders or creditors for any profit realized from such contract and the contract is not by reason only of his interest therein voidable if it is confirmed by a majority of the votes cast at a general meeting of the shareholders duly called for that purpose and if his interest in the contract is declared in the notice calling the meeting.

37. LOANS TO EMPLOYEES — The Board is hereby authorized on behalf of the Company from time to time:

- (a) to make loans to bona fide full-time employees of the Company whether or not they are shareholders or directors, with a view to enabling them to purchase or erect dwelling houses for their own occupation, and may take from such employees, mortgages or other securities for the repayment of such loans; or

- (b) to provide, in accordance with a scheme for the time being in force, money by way of loan for the purchase by trustees of fully paid shares of the Company, to be held by or for the benefit of bona fide employees of the Company, whether or not they are shareholders or directors; or
- (c) to make or to guarantee loans to bona fide employees of the Company, other than directors, whether or not they are shareholders, with a view to enabling them to purchase fully paid shares of the Company to be held by them by way of beneficial ownership.

Meetings of Shareholders

38. ANNUAL MEETING — The annual meeting of the shareholders shall be held at the head office of the Company or elsewhere within the Province of Ontario at such time and on such day in each year as the Board may from time to time determine, to receive the reports and the financial statement as required by The Corporations Act, to elect directors, appoint auditors and to fix or authorize the Board to fix the auditors' remuneration, and to transact such other business as may properly be brought before the meeting.

39. GENERAL MEETING — The Board on its own motion may at any time call a general meeting of the shareholders of the Company for the transaction of any business. General meetings of the Company shall be held at the head office of the Company or elsewhere within the Province of Ontario, at such time and on such day as the Board may determine. Notice calling a general meeting shall specify the general nature of the business to be presented at such meeting and give such further information as may in the circumstances appear to the Board requisite.

40. NOTICES — No public notice or advertisement of any annual meeting or of any general meeting of shareholders of the Company shall be required, but notice of the time and place of each such meeting shall be given in the manner hereinafter in this by-law provided, not less than ten days before the day on which the meeting is to be held, to the auditor of the Company and to each shareholder of record at the close of business on the day on which the notice is given who is entered on the books of the Company as owner of one or more shares carrying the right to vote at the meeting. Notices may be signed by the chairman of the Board, the president, a vice-president who is a director, the secretary or an assistant secretary, or such other person as the Board may from time to time appoint for that purpose; provided always that meetings of the shareholders of the Company may be held at any time and at any place authorized by this by-law without notice if all the shareholders of the Company entitled to vote thereat are present in person or represented thereat by proxy duly appointed, or if those not so present or represented by proxy waive notice of such meeting, and if the auditor is present or waives notice of such meeting, and at any such meeting any business may be transacted which the Company at annual or general meetings may transact.

41. ADJOURNED MEETINGS — The chairman presiding at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may prescribe, adjourn the meeting from time to time and from place to place. Whenever any meeting of shareholders is lawfully adjourned, any business which might have been transacted at the original meeting may without further or other notice be transacted at any such adjourned meeting, and at the adjourned meeting the same powers may be exercised as at the original meeting.

42. QUORUM — Three persons present in person and each entitled to vote thereat shall constitute a quorum for the transaction of business at any meeting of shareholders.

43. RIGHT TO VOTE — At every meeting of shareholders every shareholder who is entered in the books of the Company as the holder of one or more shares carrying the right to vote at such meeting shall have the right to attend such meeting in person or to be represented thereat by a nominee who may vote on his behalf but no shareholder in arrear in respect of any call shall be entitled to vote in person or by a nominee at any meeting of the shareholders of the Company. An executor, administrator, committee of a mentally incompetent person, guardian or trustee and, where a corporation is such executor, administrator, committee, guardian or trustee of a testator, intestate, mentally incompetent person, ward or cestui que trust, any person duly appointed a nominee for such corporation, upon filing with the secretary of the meeting sufficient proof of his appointment, shall represent the shares in his or its hands at all meetings of the shareholders of the Company and may vote accordingly as a shareholder in the same manner and to the same extent as the shareholder of record. If there be more than one executor, administrator, committee, guardian or trustee, the provisions of article 49 of this By-Law Number 1 shall apply.

44. PROXIES — Every shareholder, including a shareholder that is a corporation, entitled to vote at a meeting of shareholders may by means of a proxy appoint a person, who need not be a shareholder, as his nominee to attend and act at the meeting in the manner, to the extent, and with the power conferred by the proxy. A proxy shall comply with the provisions of The Corporations Act.

45. **PERSONS ENTITLED TO BE PRESENT** — The only persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat, and the auditor of the Company and such others who although not entitled to vote thereat, are entitled or required under the provisions of The Corporations Act or the by-laws of the Company to be present at the meeting. Any other person may be admitted to a meeting of shareholders only on the invitation of the chairman of the meeting or with the consent of the meeting.

46. **REPORTS TO SHAREHOLDERS** — Ten days or more before the date of the annual meeting of shareholders, a copy of the financial statement and a copy of the auditor's report shall be sent by prepaid mail to each shareholder of record at his last address as shown on the books of the Company.

47. **SCRUTINEERS** — At each meeting of shareholders one or more scrutineers may be appointed by the chairman to serve at the meeting. Such scrutineers need not be shareholders of the Company.

48. **VOTES TO GOVERN** — At all meetings of shareholders every question shall, unless otherwise required by the letters patent or by-laws of the Company or by law, be decided by the majority of the votes duly cast on the question.

49. **VOTING BY JOINT SHAREHOLDERS** — If shares are held jointly by two or more persons, any one of them present at a meeting of the shareholders of the Company, may, in the absence of the other or others, vote thereon, but, if more than one of them is present or represented by a nominee, they shall vote together on the shares jointly held.

50. **VOTING** — At all meetings of shareholders every question shall be decided by a show of hands unless a poll thereon is demanded by any shareholder entitled to vote who is present in person or by his nominee if so represented, or is required by the chairman or by the provisions of The Corporations Act.

Fiscal Year

51. The fiscal year of the Company shall terminate on the 31st day of December in each year.

Dividends

52. Dividends may be declared by the Board and paid by the Company on the issued shares of the Company, from time to time, when in the judgment of the directors the profits of the Company warrant such payment, provided that no dividend shall bear interest as against the Company. The declaration of the Board as to the amount of net profits of the Company shall be conclusive in the absence of fraud on its part, and no director shall be bound to enquire into the accuracy of any statement of profit and loss certified to be correct by the auditor of the Company. The amount of any cash dividend shall be paid by warrant or cheque on the Company's bankers payable to the order of the person or persons entitled thereto and sent through the ordinary post, postage prepaid, addressed to such person or persons at his or her address as the same appears in the books of the Company. Every such cheque or warrant shall be mailed at the risk of the payee or payees concerned and payment of the cheque or warrant purporting to be endorsed by the person or persons to whose order it is payable shall be a satisfaction of the dividend in respect of which such cheque or warrant was issued and of all liability of the Company in respect thereof, whether or not the endorsement was authentic. If any cheque or warrant for a dividend shall not be received by the person to whom it is sent as aforesaid or is defaced, lost or destroyed, a replacement cheque for a like amount may be issued by the Company on such terms as to evidence of such non-receipt, defacement, loss or destruction and as to indemnity as the Board may impose.

53. **JOINT SHAREHOLDERS** — If two or more persons are registered as joint holders of any share of the Company any one of such persons may give effectual receipts for the certificate issued in respect thereof and for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share, but all the joint holders of a share of the Company shall be severally as well as jointly liable for the payment of all calls and demands payable in respect thereof.

Reserve Funds

54. The Board may in its discretion from time to time set aside such sums as it deems fit as a reserve fund or as reserve funds, to meet contingencies, for equalizing dividends, or special dividends, for repairing, improving and maintaining any of the property of the Company, replacing wasting assets or forming an insurance fund and for any other purpose or purposes which the Board shall in its absolute discretion think conducive to the interests of the Company, and may invest the several sums so set aside in such investments as it may think fit, and may from time to time deal with and vary such investments and dispose of all or any part thereof for the benefit of

the Company and may divide any reserve fund into such special funds as it may think fit, with full power to employ the assets constituting the reserve funds in the business of the Company without being bound to keep the same separate from other assets. The Board may also carry forward to the accounts of the succeeding year or years any profit or balance of profit which it shall not think fit to divide or to place to reserve and the Board may from time to time in its discretion increase, reduce or abolish any reserve fund in whole or in part and may transfer the whole or any part of any reserve fund to surplus.

Information to Shareholders

55. No shareholder shall have any right to demand any information respecting the business of the Company or the conduct of the Company's affairs or to inspect the books, accounts, documents or registers of the Company except as permitted or conferred by The Corporations Act or other relevant statutes.

Giving of Notice

56. Any notice, communication or other document to be given by the Company to a shareholder, director or officer, or to the auditor of the Company, shall, save as otherwise provided in this by-law, be sufficiently given if delivered personally to the person to whom it is to be given, or if delivered to his last address as recorded in the books of the Company, or if mailed by prepaid post addressed to him at his last address as shown on the books of the Company or if sent by any means of wire or wireless or any other form of transmitted or recorded communication, addressed to him at such last address. A notice, communication or document so delivered shall be deemed to have been given when it is delivered personally or at the address aforesaid; and a notice, communication or document so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice sent by any means of wire or wireless or any other form of transmitted or recorded communication shall be deemed to have been given when delivered to the appropriate communication company or agency or its representative for despatch. The accidental omission to give notice to any shareholder, director or officer or to the auditor, or the non-receipt by any shareholder, director or officer, or the auditor, of any such notice or any error in a notice not affecting the substance thereof, shall not invalidate such notice or any meeting called by such notice or any action taken by any such meeting or otherwise founded thereon. All notices with respect to any shares registered in more than one name may, if more than one address appears on the books of the Company in respect of such joint holding, be given to such joint shareholders at the first address so appearing, and notice so given shall be sufficient notice to all the holders of such shares.

Waiver of Notice

57. Any shareholder (or his duly appointed nominee), or director or officer, or the auditor, may waive any notice required to be given under any provision of the letters patent or by-laws of the Company or of The Corporations Act, and such waiver, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in giving such notice.

Representation at Meetings of Other Companies, etc.

58. The president, any vice-president who is a director, the manager or general manager, the secretary or the treasurer, or any person appointed in writing for that purpose by any two of the aforementioned officers is hereby authorized and empowered to act as a nominee for the Company at any meeting or meetings, whether annual or general, of shareholders or members of any company or corporation of which the Company is or may hereafter be at any time a shareholder or member, and at any meeting or meetings of any syndicate or unincorporated association of which the Company is or may hereafter become a member, and at any such meeting such nominee shall represent and vote upon and in respect of all shares of the capital stock of such other company or corporation or units or shares or interest of any kind in any syndicate or unincorporated association recorded in the name of the Company and any two of the aforementioned officers are hereby authorized to execute and affix the seal of the Company to any form of proxy appointing a nominee to represent the Company at any such meeting; and the production of a form of proxy so executed shall be conclusive evidence that the nominee has been regularly appointed.

Representation at Meetings of Bondholders, etc.

59. The president, any vice-president who is a director, the manager or general manager, the secretary or the treasurer, or any person appointed in writing for that purpose by any two of the aforementioned officers is hereby

authorized and empowered to act as nominee and attorney for the Company at any meeting or meetings whether ordinary or extraordinary of holders of bonds, debentures, notes or other securities issued by any other company or corporation and at any such meeting such nominee shall represent and vote upon and in respect of all bonds, debentures, notes or other securities issued by such other company or corporation held by the Company, and any two of the aforementioned officers are hereby authorized to execute and affix the seal of the Company to any form of proxy appointing a nominee to represent the Company at any such meeting; and the production of a form of proxy so executed shall be conclusive evidence that the nominee has been regularly appointed.

Signing of Bonds, Debentures and Debenture Stock, etc., and Guarantees

60. The Board shall have power from time to time by resolution to provide that the signature or signatures of the officer or officers designated to sign bonds, debentures, debenture stock or other securities or interest coupons or other coupons of the Company, or guarantees to be endorsed by the Company on any bonds, debentures, or debenture stock or other securities of any other company or corporation may be engraved, lithographed or otherwise mechanically reproduced and in such event, subject to the provisions of any such resolution, any and all such bonds, debentures, debenture stock, or other securities, interest coupons and other coupons and guarantees of the Company so signed shall be deemed to have been manually signed by such officer or officers and shall be as valid to all intents and purposes as if they had been manually signed and this notwithstanding that any person whose signature is so reproduced thereon has ceased to be the officer so designated prior to the certification or delivery of any such bonds, debentures or debenture stock or other securities or prior to the issue and delivery of any such interest coupons or other coupons of the Company, or prior to the certification or delivery of the bonds, debentures, or debenture stock or other securities for which the guarantee was given.

Taking of Mortgages, etc.

61. The president, any vice-president who is a director, the manager or general manager, the secretary or the treasurer, or any other person appointed by resolution of the Board for that purpose, is hereby authorized to take or accept for and on behalf of the Company from any person, firm or corporation, any mortgage, charge, or hypothec or bill of sale or assignment to or in favour of the Company, and to appear before a Notary of the Province of Quebec and execute on behalf of the Company any such hypothec relating to immovables in the Province of Quebec and to file or register the same or cause the same to be filed or registered, and to make all proper affidavits, declarations or statements pertaining thereto.

Taking of Bills of Sale, Chattel Mortgages, etc.

62. The president, any vice-president who is a director, the manager or general manager, the secretary or the treasurer, or any other person appointed by resolution of the Board for that purpose, is hereby authorized to take or accept for and on behalf of the Company, from any person, firm or corporation, any chattel mortgage, agreement to give a chattel mortgage, bill of sale or assignment to or in favour of the Company, of any personal property or any mortgage thereon and to file or register the same or cause the same to be filed or registered and to sign and make all affidavits of bona fides required by any statute and all other proper affidavits, declarations or statements and to do all things necessary or expedient to effect such filings or registrations and from time to time to renew such filings or registrations and to do or cause to be done anything necessary or which any of them may deem necessary or expedient to maintain in effect, on foot or in force any mortgage or assignment of any personal property heretofore or hereafter made or executed in favour of or assigned to the Company, and for such purpose to sign and make all affidavits, declarations and statements (renewal or otherwise) which are or shall be required by law or which any of them may deem necessary or expedient as to the interest of the Company in any property or as to the amount due or the payment made on any such mortgage or on any other security or the good faith and absence from fraud in relation to any such mortgage or other security or as to any further or other particulars or matters relating thereto.

Voting at Municipal Elections

63. The president, any vice-president who is a director, the manager or general manager, the secretary or the treasurer, or any other person appointed by resolution of the Board for that purpose is hereby authorized to vote for and on behalf of the Company in any municipal election held in any municipality in Canada in which the Company is entitled to vote.

MacLEOD MOSHER GOLD MINES LIMITED

BY-LAW NUMBER 2

A By-law respecting the borrowing of money and the issue of securities.

The Board may from time to time:

- (a) Borrow money on the credit of the Company in such amounts and upon such terms as may be deemed necessary;
- (b) Limit or increase the amount to be borrowed;
- (c) Issue bonds, debentures, debenture stock, both perpetual and terminable, or other securities of the Company;
- (d) Pledge or sell such bonds, debentures or debenture stock or other securities for such sums and at such prices as may by the Board be deemed expedient or necessary;
- (e) Charge, mortgage, hypothecate, pledge, cede, or transfer all or any of the real and/or personal property (both present and future) of the Company, including book debts and unpaid calls, rights, powers, franchises and undertaking, to secure any such bonds, debentures, debenture stock or other securities or any money borrowed, or other debts, or any other obligation or liability of the Company, and any instrument of charge, mortgage, hypothecation, pledge, cession or transfer may contain such covenants, powers, provisos and agreements as the Board may think expedient or necessary;
- (f) Authorize any officer or director as may be designated by the Board to do all things necessary or which appear requisite for carrying out any transaction respecting the borrowing of money and the issue of securities which the Board may authorize or direct.

MacLEOD MOSHER GOLD MINES LIMITED

BY-LAW NUMBER 3

A By-law to authorize the Board to acquire, hold, sell, and deal with investments.

The Board may from time to time and whenever it sees fit purchase or otherwise acquire, underwrite, obtain an interest in, hold, pledge or mortgage, sell, exchange or otherwise dispose of and generally invest in shares of stock of domestic and foreign corporations, and in bonds, debentures, debenture stock, notes, subscription warrants, voting trust certificates, evidences of indebtedness, certificates of interest, and other obligations and securities of any nature however evidenced whether of domestic or foreign governments, municipalities, or other bodies politic, or of domestic or foreign corporations, associations, firms, trustees, depositories, syndicates or individuals; and, while the Company is the owner or holder thereof, exercise all the rights, powers and privileges of ownership, including the right to vote thereon.

MacLEOD MOSHER GOLD MINES LIMITED

BY-LAW NUMBER 4

A By-law to authorize the Board to acquire, hold and deal with certain real or personal property and to pay for same in whole or in part with shares of the Company.

The Board may from time to time and whenever it sees fit:

- (a) Acquire or undertake the whole or any part of the business, property and liabilities of any person or company carrying on any business that the Company is authorized to carry on or possessed of property suitable for the purposes of the Company;
- (b) Purchase, take on lease or in exchange, hire or otherwise acquire, and sell, lease or otherwise dispose of any personal property and any rights or privileges that the Board may think necessary or convenient for the purposes of the business of the Company and in particular any machinery, plant and stock-in-trade;

- (c) Acquire by purchase, lease or otherwise and hold any real estate or interest therein necessary or suitable for the actual use and occupation of the Company or for carrying on the Company's undertaking and, when no longer required, sell, exchange, alienate and convey the same;
- (d) Acquire by purchase, lease or otherwise and hold mining claims and rights, and sell, exchange or otherwise dispose of the same;
- (e) Take or give options for the purchase of any of the property mentioned in any of the preceding clauses of this by-law;
- (f) Pay for any property acquired or taken over or purchased under the provisions of this by-law, wholly or partly in shares of the Company fully or partly paid up.

MacLEOD MOSHER GOLD MINES LIMITED

BY-LAW NUMBER 5

A By-law to authorize the Company to pay dividends out of its funds derived from the operations of the Company.

The Company, being a mining company, is hereby authorized and empowered to declare and pay from time to time dividends out of its funds derived from the operations of the Company, notwithstanding that the value of the net assets of the Company may be thereby reduced to less than the issued capital of the Company if the payment of the dividends does not reduce the value of its remaining assets to an amount insufficient to meet all the liabilities of the Company exclusive of its issued capital.

